

EXECUTIVE DEVELOPMENT AS A MEANS OF HIGHER PRODUCTIVITY IN PUBLIC ENTERPRISES IN INDIA WITH REFERENCE TO IRON AND STEEL INDUSTRY

**THESIS SUBMITTED FOR
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This work entitled: "Executive Development As A Means of Higher Productivity In Public Enterprises In India With Reference To Iron And Steel Industry" is a renewed attempt to analyse the problems of this sector. Prior to this study I also attempted a dissertation on "Management of Public Enterprises In India" which I submitted in partial fulfilment for the award of M.B.A. degree from the City University of New York. This study evinced a keen interest in me to probe in some detail the role of executives in enhancing the productivity of the iron and steel industry in the public sector.

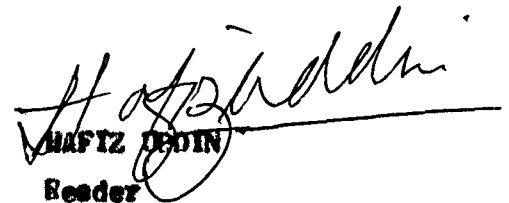
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C O N T E N T S

INTRODUCTION	1 - xiii
CHAPTER I	<u>Managerial Evolution In India</u>		1 - 33
	Pattern of Management	...	10
	Emergence of the Public Sector		12
	The Iron & Steel Industry in India		20
CHAPTER II	<u>The Role of Executives In The Efficiency OF Public Enterprises</u>		34 - 67
	Executive Functions	...	36
	Formulation of Policy	...	40
	Coordination	...	42
	Non-financial Incentives...		46
	Appraisal of Performance...		61
CHAPTER III	<u>The Role of Executives In The Productivity OF Public Enterprises</u>		68 - 116
	The meaning & variables of productivity	...	69
	The union and productivity		75
	The measurement of productivity		77
	Productivity trends in U.K.		78
	Steel production in Soviet Union		80
	Productivity of U.S. iron and steel industry	...	86
	Low productivity of iron and steel industry in India	...	92
	Administrative and executive performance...	...	104
	Industrial relations	...	107
CHAPTER IV	<u>Supervisory And Executive Development Programmes Analysed</u>		117 - 163
	Executive training methodology		118
	Selection of candidates		125
	Delegation and decentralisation		156
	Informal methods of executive development	...	161

CHAPTER V	<u>Incentives And Their Impact On Executive Development</u>	164 - 199
	Pre-requisites to incentives 168	
	Fringe benefits ... 181	
	Incentive wages in Indian industries 184	
	Incentives in the USSR industries 194	
CHAPTER VI	<u>The Impact of Industrial Relations On Executive Development</u>	200 - 259
	Industrial relations ... 202	
	Absenteeism & labour turnover 217	
	Labour legislation ... 223	
	Collective bargaining ... 235	
	Use of authority & decision-making 238	
	Decision making ... 243	
CHAPTER VII	<u>Executive Development Programmes And Industrial Relations In I.S.L., Ranchi.</u>	250 - 306
	Recruitment and selection 251	
	Executive development programme of TISCO ... 255	
	Administrative Staff College, Hyderabad ... 259	
	Training Institute of Management, Ranchi ... 262	
	Harvard University Graduate School of Business Administration 272	
	Industrial Management Pool 279	
	Industrial Relations ... 281	
	Working conditions ... 289	
	Incentives and Fringe Benefits 291	
	Organisation structure ... 298	
BIBLIOGRAPHY	... ..	307 - 318
APPENDIX		

INTRODUCTION

The Government officials, members of parliament and the people in general are concerned with the working of public enterprises in the country. There is no doubt that after Independence through the three Five Year Plans the public enterprises from the point of view of their number and diversification, have increased considerably, causing complex problems of management. Regarding the investment during the three Plans the public enterprises accounted for Rs. 55 crores in the First Plan, Rs. 938 crores in the Second and Rs. 1,520 crores during the Third Five Year Plan. The Fourth Five Year Plan, according to the Draft Outline, accounts for Rs. 16,000 crores in the public sector as compared to Rs. 7,750 crores in the private sector. In terms of percentages of investment to total investment during the Three Plans, the figures are 46.4, 54.1 and 58.6 respectively. The figure of investment in public sector in the Fourth Plan will account for 64 per cent as against 61 per cent envisaged in the Third Plan.

The performance of the public sector has caused great dissatisfaction in private and government quarters. Among the public enterprises, attention has been diverted to the uneconomic working of the Hindustan Steel Limited which has suffered substantial losses since its inception. As a major enterprise with an investment of

Rs. 1,028 crores or 36 per cent of the Government investment as on 31st March 1967, excluding the Railways, it is a matter of concern to see that the H.S.L. is not functioning profitably. The company, since its formation, suffered a cumulative loss of Rs. 82.32 crores which includes a loss of about Rs. 20.6 crores in 1966-67.¹

FRAMEWORK

In spite of the facilities provided by the Government and the resources at its command the iron and steel industry as indicated above has failed to achieve the citizen's satisfaction due to its poor performance. My hypothesis was that the failure was due to the lack of efficient executives. To study the problem of executive development in Hindustan Steel Limited, this thesis entitled "Executive Development As A Means of Higher Productivity In Public Enterprises In India With Reference To Iron And Steel Industry" has been attempted. It has been divided into seven chapters. Chapter I is devoted to "Managerial Evolution In India". An analysis of managerial evolution in India reveals that without managerial skill, experience and competence India cannot lay a sound foundation of a Socialist Pattern of Society. Our Five Year Plans cannot achieve the desired results merely through the expansion of industrialisation and emergence of the public sector. The success of the public sector greatly depends upon the availability of a large number of well trained and competent executives. Hence the urgent need of the country is the availability of sound management

1 Government of India, Ministry of Steel, Mines and Metals (Department of Iron & Steel) New Delhi, "Performance of Hindustan Steel Ltd., p. 1.

through the institution of professional managers.

Chapter II deals with "The Role of Executives In the Efficiency of the Public Enterprises". It has been noted that after Independence there has been a mushroom growth of industrial and commercial enterprises in the country. The vices of the managing agency system in India have led to the amendments of the Indian Companies Act, restricting the rights of the managing agents. But this has not produced satisfactory results. Like other projects, the iron and steel industry in the public sector has also suffered considerably due to defective planning, inadequate staffing and poor implementation.

The flight of executives and technical personnel from public to private enterprises caused great concern and loss to the public enterprises. The movements were caused due to differences in wages and salaries, working conditions, future prospects and the payment of incentives and fringe benefits. The migration of government servants to private enterprises can be checked through financial and non-financial incentives. It has been stated that the proper motivation of the employees of public enterprises would improve the working and would help to run the enterprises at a high proportion of rated capacity.

At the moment the employees are too much in chains and unnecessary rigid control of the government. This has resulted in the failure of these enterprises and invite attention of the management personnel and government to take corrective measures for the efficient working of these enterprises. The author finds that controls are of extreme type.

There are either excessive controls or absence of control. This defective system is making the enterprises highly inefficient. Proper control would help to check the deviations of performance from the pre-determined standards. The control should be used to check quality, cost, financial expenditure, time schedules and the use of raw materials.

It has, therefore, been recommended that appraisal of executive performance is important for making the management team alert. It reduced cost of production and increases efficiency.

On the basis of the above conclusion chapter III deals with "The Role of Executives In the Productivity of Public Enterprises". Executive role is of utmost importance in increasing the productivity of the enterprise by making rational use of all the inputs. The low productivity of labour in the iron and steel industry in the public sector has been due to poor relations between the labour and the management. It is argued here that labour unions exercise conspicuous influence over labour productivity. The acceptance of the labour unions, the settlement of labour problems through joint consultation, the cordial industrial relations always result in increased labour productivity. For checking waste it is essential to develop sound system of costing and management accounting. The productivity trends in the U.S.A., the U.K. and the U.S.S.R. help to reveal the factors which increase the productivity.

Industrialists in U.S.A. have worked strenuously on productivity. The Indian iron and steel industry has been suffering due to low

productivity. The labour productivity is approximately 50 to 60 per cent of that of the U.S. iron and steel industry. Viewing the industry in terms of return on capital investment, utilisation of rated capacity, cost of power consumed, cost of human labour the position of iron and steel industry in the public sector is the worst. Comparing the iron and steel industry in public and private sectors in terms of profitability, both gross profits and net profits the former does not compare favourably. It has been noted in this study that the working of the public enterprises in India is suffering from innumerable problems - beginning from top management to various layers of management, defective organisation, poor implementation of plans, absence of effective controls and proper motivation of employees. In contrast to this the private enterprises such as TISCO and IISCO are working quite efficiently and have even faced the recession of the current year. The working results of Hindustan Steel Limited, Ranchi, for 1965/66 showed a return of 0.2 per cent. Durgapur's performance was the worst. Besides huge losses incurred by all the plants there is another serious defect of ignoring the demand element and the accumulation of stocks. As Bhilai pig iron stocks on March 1, 1967 amounted to 83,000 tonnes as against 45,000 tonnes of the previous year. The stocks of rolled steel aggregated 1,71,000 tonnes as against 55,000.

It is not a hasty conclusion to emphasise that labour productivity in this sector can be increased by overcoming the shortcomings in planning, implementation, industrial relations, controls, proper motivation and adequate arrangements for executive development programmes.

Chapter IV deals with the "Supervisory And Executive Development Programmes". Executive development is an essential part of the expansion programme of all the big businesses and industrial enterprises, as these programmes prove to be an aid to efficiency. Regarding the training of executives in Indian industries the most commonly used methods are the Lecture method, T.W.I., Conference and Syndicates. The use of case method is in infancy as its financial implications are high. On the whole the training methodology needs great improvements to increase its effectiveness. Like other Indian public enterprises, the executives in the iron and steel industry are generally the Civil Servants with a background which is not highly conducive to business efficiency hence it has been recommended that suitable executive development programmes for bottoming up to business needs are highly essential.

Chapter V deals with "Incentives and Their Impact On Executive Development". It is an accepted fact that the executive development through proper motivation plays an important part in stirring the executives and the employees to produce more and to cooperate with the management in achieving the objectives of the enterprise. The incentives give due recognition to the differential qualities of human beings. The absence of adequate financial and non-financial incentives in the public enterprises are responsible for the poor performance, continuous losses and non-utilisation of full rated capacities.

The managing of public enterprises in general and that of iron

and steel industry in particular poses certain important problems relating to efficiency and productivity which need great care and caution in order to run the public enterprises on sound commercial lines. To achieve that objective similar to private enterprise, public enterprises will have to provide incentives. Providing the incentives to lower level employees would help to increase their willingness to work. Incentives can be provided to them on individual as well as group basis subject to the urgency and situation of the problem.

Here the problem of basic pre-requisites of wage and salary administration need full consideration. These pre-requisites are the development of a labour market, existence of strong and stable labour unions, with competent leadership, the development of fair labour practices and a high sense of labour responsibility and the existence of labour legislation to protect the rights of the employees. Needless to mention that these pre-requisites are urgently needed for the iron and steel industry in the public sector.

For the fuller understanding of the problem chapter VI deals with "Industrial Relations and Executive Development". It is maintained here that industrial relations exert considerable influence on the use of authority and decision-making. The dis-satisfaction amongst the working class is a great menace to the economic growth of the country. Industrial relations involving personnel management, human behaviour, industrial psychology and social problems influence the working conditions

of the enterprise. Good industrial relations will help to promote cordial relations among the employees and increase productivity. Bad industrial relations fail to attract good employees and fail to retain them. Thus the complex problems of labour turnover, labour unrest, strikes, disputes and various other vices the iron steel industry in the public sector which tend to undermine the morale of the employees should be checked through the imagination of the executives.

Indian leadership and government opinion seems to be divided on the value and effectiveness of collective bargaining in Indian industrial arena. Akin to the fate of collective bargaining the wage boards too have failed to function in an effective way.

Under the existing circumstances when the labour legislation has failed to improve the fate of the working classes to a considerable extent, the absence of labour leadership, the increasing backlog of the unemployed in the country are some of the factors that would play a dominating role in decision-making and the use of authority in an enterprise.

The effectiveness of the authority is also influenced by industrial relations. The use of authority conditions the behaviour of the subordinates to accept the decision of the officer in charge of the unit. It is obvious that proper and timely use of authority will help to enforce the responsibility of the individual to those who wield it, to secure perfection in decision-making and to coordinate the overall activity of management. The decision may be accepted or rejected

subject to the decision and conviction of the subordinates. The rational decision will tend to reduce the gap of indifference between the subordinate and the executive incharge. The absence of rational use of authority is likely to affect the quality and effectiveness of authority accordingly, i.e., misuse of authority particularly nepotism, red tapeism, dishonesty, organisation politics, absence of well defined labour policy, etc.

The creation and formation of informal organisation is caused due to maladministration causing human dis-satisfaction and frustration. The working of two organisations in different directions will result in the plus minus adjustments retarding the growth and survival of the enterprise. Every decision must ensure a harmonising effect in the organisation as the coordinated and unified action is the way to successful functioning of the enterprises.

Finally the last chapter deals with the "Executive Development Programme And Industrial Relations In Hindustan Steel Limited, Ranchi." An analytical study of the H.S.L. and its comparison with TISCO, TISCO and other private enterprises have helped in the appraisal of the existing arrangements at H.S.L. It has been noted in the case study that the recruitment and selection procedures at HSL are primitive. The application blank for the post of executive does not expose leadership qualities at school, college or university level as no information has been asked. No mention has been made to appraise emotional stability. Information required under the heads of religion, scheduled caste, state is imbalanced and would not help to promote a healthy organisation.

Even the selection procedure is wanting. The recruitment and selection at Hindustan Steel Limited, Ranchi, is of a very elementary nature and the use of scientific methods of detecting the managerial talents have not been applied so far. Although to meet the needs of executive personnel the Training Institute of Management, Ranchi was started in 1962 and the plant-wise training facilities were also provided later on at Hourkela, Durgapur and Bhilai but the position is far from satisfactory. Prior to these facilities the H.S.L. employees were imparted training at the Tata Iron and Steel Company Limited, Jamshedpur and the Administrative Staff College, Hyderabad. The facilities provided even at these places were inadequate. TISCO's Staff training facilities for supervisory personnel ranging from assistant foremen to departmental superintendents. For higher levels the TISCO sends its men to Administrative Staff College, Hyderabad and to foreign countries. The difference of efficiency in the private sector can be judged from the fact that the training programmes and the methodology of imparting training at the Tata Iron and Steel Company are designed according to the requirements of the company. The training methodology used at TISCO is limited in coverage and does not use modern methods like visual aid and cases. It is more job oriented and ignores the development of knowledge and attitude. Needless to mention that a successful training programme is one that meets the requirements of the enterprise and improves the knowledge, skill and attitudes of the employees.

The Administrative Staff College, Hyderabad, and the Training

Institute of Management, Ranchi, have not yet achieved the desired results. The poor quality of management training at the centre and at the plants is due to poor quality of executive personnel at the centre, at the plants and even at the training institute. What is needed most is the quality of persons, the adherence to the sound principles of recruitment and selection without any binding or priority consideration and substantial freedom of choice to the man concerned to utilise the services of the newly selected employees.

Similarly the creation of the Industrial Management Pool was not subject to the specific needs of the enterprises or in relation to the job descriptions and job specifications. The result was that these men were mis-fit to the genuine needs of the enterprises. It led to the non-cooperation between the pool and the enterprises. What is most urgently needed to man the public enterprises is the creation of a Central Industrial Service and the provision for proper management education in Indian universities and institutes.

Industrial Relations:

As pointed out earlier there is too much inter-union rivalry on the Indian labour scene in general and in the three steel plants of Hindustan Steel Limited, Ranchi in particular. It affects the union and management relations and checks the peaceful settlement of disputes. The multiplicity of unions and political influences over the unions have retarded the development of industrial relations. To overcome this, the management of H.S.L. has suggested that the Trade Unions Act and the

Industrial Disputes Act be amended regarding the registration of the unions and their recognition as the representative union. The author's analysis indicates that the solution lies not in the amendment of the law but in the management outlook to deal with unions in a cordial way, to understand their main problems and to solve them to their best possible satisfaction.

As regards the unit level bipartite consultations or collective agreements, I am of the firm view that the existence of a strong, stable recognised union is necessary.

Though the working conditions in public enterprises are supposed to be better than that in private enterprises as Government is regarded as the 'Model Employer' yet the fact is that public enterprises inclusive of Hindustan Steel Limited cannot be compared favourably with private enterprises. This needs careful consideration of the government.

Regarding the incentives and fringe benefits to executives and other members of the administrative side there is ample need for such benefits. Even the directors of H.S.L. need sufficient motivation. The employees of H.S.L. as a whole need both financial and non-financial incentives for their continued interest in their work. Before introducing any scheme of financial and non-financial incentives it is essential to provide the basic pre-requisites. There is disparity in wage and salary of TISCO and HSL and it gives rise to labour turnover.

The iron steel industry in the public sector shows lack of

firmness in decision-making. For instance there exists non-continuity in the posts of General Managers, Chief Executives and members of the Board of Directors. Since inception in 1954 till 1965 more than 100 persons have come and gone as members of the Board and the Company engaged six chairmen, seven secretaries and 12 general managers of the three steel plants. The Head Office had to change its venue five times. Such changes are undesirable and lead to inefficiency and low productivity.

Reviewing the situation as a whole it can be safely concluded that the poor performance of the iron and steel industry in the public sector is due to their inherent weaknesses of the administrative machinery as detailed above.

CHAPTER - 1

MANAGERIAL EVOLUTION IN INDIA

The 'executive' or the 'manager' of a firm is a dynamic element in production. Without managerial skill, experience and competence, no firm can survive. In the earlier stages of industrial evolution, technology was considered to be main factor responsible for economic growth. But soon after the toething period of 'Industrial Revolution' it was felt that technology did not contribute much without the active support and cooperation of human resource. The Second World War and post-war period have rightly relied more and more on 'Managerial Revolution' rather than on industrial revolution alone. Through sound management war ravaged countries rehabilitated themselves and made enormous recovery. Likewise the history of industrial concerns reveals the fact that they progressed and prospered through their managerial efficiency. The quality of executive performance is reflected ultimately in the success of an organisation. It can thus be remarked that if technology is to serve the best interests of the society it should be fully manned by competent managers of dynamic outlook.

In this chapter an attempt has been made to analyse the factors that inhibited the growth of managerial evolution in India in spite of her rich natural resources. It would not be out of place to mention

that before Independence Indian economy was mostly an agricultural economy and more than 80 per cent of the people directly or indirectly earned their living through agriculture. Industrialisation was nominal and primitive. India's Five Year Plans made a beginning of industrial evolution on scientific lines. Thus change of economy from agriculture to industry, expansion of industrialisation and emergence of the public sector have emphasised the need and urgency of the availability of a large number of well trained and competent executives to run both the private as well as the public enterprises. The managerial resources of the country fell short of her requirements. In the following pages the history of corporate sector is dealt with briefly to trace the managerial evolution in India.

In the beginning of the corporate sector, i.e., the middle of the 19th century the pioneers of company form of organisation were some British traders who as representatives of the British trading firms came to India and floated several companies. Being experienced in business and equipped with adequate financial resources it was easy for them to begin with several new enterprises of their own as well as of those who reached them for financial assistance and management responsibility. Such managing agents were careful to retain their power and control over the companies they formed or whose management they accepted. The first cotton mill started in 1817 in India by an Englishman, but it failed. The Fort Gloster Mill was put in 1830 in Bengal under European management. C.N. Davar's mill in Bombay, established in 1854, was

partly shared by Englishmen. The Kohinoor Mill was started by Killick, Nixon & Co., a British firm of managing agents, as early as 1870. Several other names like Sassoon Greaves and Cotton, Bradley and Brady in Bombay and the Harveys, Stanses and others setting up cotton mills in Madras, Coimbatore and Cawnpore¹ (Kanpur) can be given here as a reference. Besides cotton mills other industries like Jute, tea, coffee and sugar were also started by European concerns. The management of all these companies in the early days of industrialisation was in the hands of the foreigners who were interested in the industrial policy of their own country, i.e., Britain. They were not concerned in the development of Indian managerial skill. The typical managing agency system and the composition of the board of directors have thus retarded the economic growth of the country. They did not help to evolve the sound management practices suitable to the needs of the country. The development of the managing agency system was also due to the internal conditions prevailing in the country, i.e., the absence of a well-developed money market and the non-existence of entrepreneurial class. Due to the scarcity of financial resources the managing agents got an easy hold on the companies they accepted to finance. Managerial skill was not a pre-requisite or basic requirement for the managing agency but finance was the main condition. It helped to develop the capitalist class as the managing agents in India. Later on some Indian business communities

1 Nabagopal Das, "Industrial Enterprise in India" (Orient Longmans, Bombay, 1956), p. 1.

like Bengali, Assami, Parsees and Barwaris started the business of managing agencies. Tata & Sons, Currimbhoy Ebrahim & Sons Ltd., and E.D. Sassoon & Co., represented Parsees, Muslims and Jewish communities respectively. Both the British and Indian managing agents managed a large number of joint stock companies ranging between 12 and 54 companies approximately mention that such a large number of enterprises under the control and management of a single firm of managing agents was an indication that the managing agents were more interested in earning gainful remuneration rather than in the general welfare and the development of managerial practices. Regarding the number of enterprises under the control and management of managing agents and absence of Indian entrepreneurs the Report of Industrial Commission 1916-18 may be cited:

"The well known managing agency houses like Messrs Andrew Yule & Co., Duncan Bros. & Co., Martin & Co., Bird & Co., etc., managed between 12 and 54 companies each, in jute, tea, coal, electricity, and engineering and transport industries. Under these conditions the Bengali, Assami or Indian capitalists took very little part in starting industrial units and none at all in the management of the mills."²

The managing agents, due to their supremacy in financial matters, were in a position of monopolists. Space does not permit me to detail all their malpractices. It would suffice to mention a few of their excesses in the following lines. In the first instance the remuneration

2 Report of the Industrial Commission 1916-18, Delhi, Government Printing Press, 1919, p. 15.

charged by them was excessive. It was in the form of a percentage on gross profit or on production or on sales. The managing agents were exclusively interested in their personal gains. They made secret profits on purchases of raw materials, sales or manipulated the accounts of production expenses etc. Due to their control over a large number of joint stock companies there was absence of competition. The optimal and inefficient firms were allowed to coexist side by side and no efforts were made to rationalise them through sound management principles. Thus the managing agents helped to subsidise the existence of mediocre business enterprises in the country with poor managerial performance. The protection of uneconomic business units checked the fair play of market mechanism. They utilised the funds of the efficient business units to save the liquidation of uneconomic units and thus endangered the progress of the economic units. The elimination of competition was responsible for retarding the pace of managerial revolution. It robbed the consumers through high prices and workers through low wages. The government lost substantial revenues through evasion of taxes. For decades the managing agents were unchallenged. According to the terms of agreement they occupied their gainful positions for a period varying from 15 to 20 years and their term of service could be extended by further agreement.

After floating the companies the managing agents were in a better position to create a class of investors by selling the shares. The managing agents through their own financial resources, of their friends

and relatives got the control of the companies. Their representation on the board of directors, directly and indirectly, was a vehement temptation for corruption. Mostly the members of the managing agency belonged to one family and rarely outsiders were allowed to participate in the management of the companies. It helped to develop the hereditary character of the managing agency and the vices of inefficient and corrupt predecessors of the managing agents proved to be a menace to the efficient and sound management of the joint stock companies.

Due to the absence of legislative and administrative reforms there was no legal check on the functions of the managing agents and the Indian Companies Act 1913 (Act VII of 1913) did not provide for any special section to refrain the managing agents from making mis-use of their authority. The system continued its functioning though under some restrictions till the country got independence on 15th August, 1947. It was only after achieving the independence and the introduction of the Five Year Plans to the national economy that the Government became conscious of the defects of the system and corrective measures were taken to curb the vices and to purge the system of its weaknesses. Previously a managing agent meant a person, firm or company entitled to the management of the whole affairs of a company, by virtue of an agreement with the company and under the control of directors except to the extent, if any, otherwise provided for in the agreement. Thus it was possible for a managing agent to be independent of the control

of the directors in such matters as may be provided for in the agreement.³

Before achieving the Independence though certain restrictions had been imposed on the working of the managing agents. The Companies Act 1936 imposed certain restrictions on the managing agents. No managing agent could hold office for more than 20 years at a time and the renewal of the tenure could be made in special cases. The number of directors nominated by the managing agents was limited to one third of the total number of directors of the company under its control. The funds of one company could not be utilised for the development of another company under the same managing agent and extra remuneration or commission could be given to the managing agents only when proper sanctions were available from the directors of the company concerned. But the restrictions of the 1936 Amendment were never enforced rigorously by the Government of the day as it was anxious to safeguard the interest of the British Managing Agents. Further, the Government of India appointed the Bhaba Company Law Committee for recommending suitable changes of the old Company Law so as to remove the abuses and malpractices of the managing agency system. The Company Law 1956 gives powers to the government to take firm decision on the question of discontinuation of the managing agencies. Restrictions have been imposed on the managing agents not to be appointed as agents of more than ten companies nor their remuneration shall exceed a limit of 10 per cent of the net profits in the usual

3 Section 2 (1) Indian Companies Act 1913 (Act VII of 1913).

course. The tenure of office of the managing agent first approved by the company and then by the Central Government would run a period of 15 years. The managing agent can be re-appointed but the period should not be more than 20 years at a time. The Company Law also authorised the removal of the managing agent in cases of fraud or breach of trust or of gross negligence and mis-management. As a result of the passing of the Companies Act of 1956 the managing agency system started to decline. In April 1956 the number of managing agents was 3,044, it declined to 960 on 31st March 1965 and the number of companies they managed declined from 5,055 to 1,236 respectively. As many restrictions were imposed on the managing agents and facilities had been provided for other patterns of management, i.e., (a) board of directors, (b) secretaries and treasurers, (c) managing director and (d) manager, the managing agents preferred to resign from the managing agencies to join other forms of management. In 1964 out of 1,366 new registrations only 15 companies were promoted by the managing agents.

The legislative interference could not cure the inherent vices of the managing agents to restore sound management practices in the country. Due to the scarcity of managerial personnel the managing agents started to enter high managerial positions in disguise and thus managing agency system could not be cured of its corruption. The situation was aggravated by speedy expansion of industrialisation and an imbalance was created between the need and availability of well-

trained and experienced executives in the country.

The following table exhibits the rapid expansion of joint stock companies in the country:⁴

YEAR	No. of Companies	Paid up Capital (in crores of rupees)
1905	1,550	40.3
1939	2,744	76.6
1939-1945	14,859	389.0
1947 (Before August)	21,853	487.7
1947 (After August)	19,853	469.7
1955 (March)	29,779	983.1
1955-56	2,908	197.4
1956-57	3,846	408.0
1957-58	4,807	510.7
1958-59	5,902	795.5
1959-60	7,354	956.0
1960-61	9,037	1,243.1
1961-62*	10,651	1,568.0
1962-63*	12,265	2,232.58
1963-64*	13,492	2,562.35
1964-65*	14,878	2,562.35
1965-66	26,654	2,564.00

The rapid increase in the number of companies and a change in the pattern of management due to the enactment of the Companies Law, 1956, resulted in a change of pattern of management, i.e., the board of

4 Nabagopal Das, "Industrial Enterprise In India" (Orient Longmans, Bombay, 1956), pp. 125-126.

* The figures have been calculated according to the statistics supplied by The Times of India Directory And Year Book, Bombay 1967, pp. 229-230, and Commerce dated 26th June 1965, p. 2826. The figures for 1962-63 till 1964-65 include only new registrations of non-government companies.

directors, managing directors, secretaries and treasurers, and managers. After 1956 the number of companies managed by the managing agents continued declining and the number of companies left under the system was nominal. Though the number of companies working under the managing agents declined considerably, yet there was nothing in law to check the managing agents from their old managerial positions to other patterns of management, consequently the evils of managing agency houses continued in disguise.

PATTERN OF MANAGEMENT

A change to pattern of management was to refrain from the defects of the managing agency system while to retain its advantages. Generally accepted pattern was that of the Board of Directors. A shift to the Board of Directors and the acceptance of the managing agents to work as directors speeded up the growth of the system. Though the beginning had been made since 1936 when the Companies Act was amended, the change got momentum after 1956. The following table exhibits the position of change as follows:

Management Pattern of New Companies⁵

Form of Management	1956-57	Percentage of the total	1961-62	Percentage of the total
Board of Directors	634	74.7	1,069	65.8
Managing Directors	197	23.2	515	31.8
Managing Agents	14	1.6	29	1.7
Managers	2	0.2	4	0.2
Secretaries and Treasurers	1	0.1	3	0.1
Total	848	99.7	1,614	99.8

⁵ The percentage-wise table has been prepared by the author with the help of Kothari's Economic Guide And Investors' Handbook of India, 1963, Madras, P.PC vii

The period covering the year 1956-57 regarding the pattern of management was most unfavourable for the managing agents. Out of a total of 848 companies the managing agents accounted for only 14 or approximately 1.6 per cent. The position could not improve and during the year 1961-62 out of total of 1614 new registrations the managing agency pattern of management consisted of only 29 companies or approximately 1.7 per cent. During both the periods under review the most commonly accepted patterns of management were the Board of Directors and the Managing Directors whose percentages during the year 1956-57 were 74.7 and 23.2 while the same during 1961-62 were 65.6 and 31.2 respectively. The percentages of managers, treasurers and secretaries during the years concerned were not more than decimal two and decimal one respectively. The change in the pattern of management was caused due to the vices of the managing agency system. It could not provide a sound management to the companies which were under its control and management. The managing agents had come into power only on financial grounds as they supplied capital to the companies they managed. Even the financial needs of the companies were not fully met and most of the companies had to suffer due to under-capitalisation. Government's consciousness of the vices of the managing agency and its corrective measures through legislation resulted in the flight of the managing agents to other pattern of management where they could be in a better position. The professionalisation of management and the Socialist Pattern of Society made the position of the managing agents outmoded. The rapid increase in the number of

enterprises in both the public and private enterprises and the uneconomic working of a considerable number of them causing great financial losses requires a critical appraisal of the working of these enterprises as well as the soundness of the pattern of management too. In the following pages attention is focussed on the working of public enterprises which came into existence through the pull of the Government. They deserve immediate action for their managerial efficiency.

EMERGENCE OF THE PUBLIC SECTOR

Though the public sector existed in India during the period of the British Government and few enterprises such as railways, the Posts and Telegraphs Department, the Port Trusts, the Reserve Bank of India, the Ordnance and Aircraft factories and a few small state undertakings like salt and quinine factories etc. can be cited. Such enterprises did not form a full-fledged scene of industrialisation as their number was few and they did not cover the broad base of industrialisation in the country. The complex problems of organisation, finance, price fixing and labour relations that arose later on were non-existent in that period. When the country got Independence in August 1947 the Indian Government undertook the great responsibility of embarking on a formal development plan. Its main objective was to initiate the process of development which would raise living standards and provide people with new opportunities for a richer and more varied life.

"The first five year plan had a two-fold objective. Firstly, it aimed at correcting the disequilibrium in the economy caused by the War and the partition of the country. Secondly, it proposed to initiate simultaneously a process of all-round balanced development which would ensure a rising national income and a steady improvement in living standards over a period."⁶

A decade and half ago the Government of India declared in its Industrial Policy of 1948 that the country adopted the process of planned economic development. The process of economic development of the country was devised to be achieved through Five Year Plans. The First Five Year Plan was in general an agricultural Plan and very nominal weightage was given to industries. Agriculture and irrigation got the highest priority while industry accounted for only 7 per cent of the total outlay. The Second Plan was expected to accelerate the process of development initiated by the First Plan. It set out a broad strategy of planned development. The Second Plan was more industry oriented. It aimed at rapid enlargement of the basic and capital goods industries and also provided considerable investment in social overheads to facilitate the speedy economic development of the country. The Plan emphatically stressed the role assigned to the public sector which would help to reach the objectives of planning and of the industrial policy. The Industrial Policy resolution of April 6, 1948 envisaged a mixed economy with an overall government responsibility for the planned development of industries and their regulation in the national interest. The entire

6 Government of India, Planning Commission, "Review of the Five Year Plan" (Government of India Press, New Delhi, 1957), p. 1.

area of industrial activity was divided and the state was assigned a specific role, which was not permissible to private sector. The state-assigned industries or Schedule 'A' Industries comprised of arms and ammunition and allied items of defence equipment; atomic energy, iron and steel; heavy castings and forging of iron or steel, heavy plant and machinery required for iron and steel production for mining, for machine tool manufacture and for such other basic industries as may be specified by the Central Government, heavy electrical plant; including large hydraulic and steam turbines, coal and lignite, mineral oils, mining or iron ore, manganese ore, chrome ore, gypsum.

The Government decided to regulate and develop the industrial sector and to intervene in the private sector if its progress was unsatisfactory. Industries (Development and Regulation) Act 1951 was enacted and the government was authorised to examine the working of any individual undertaking and to issue such directives as it considered necessary. It was also empowered to take over the management of those enterprises charged with mismanagement. The Act also envisaged the establishment of a Central Advisory Committee of the representatives of industry, labour, consumers and primary producers to advise the government on all matters concerning the development and regulation of industries. The area of public enterprises was further enlarged by the Industrial Policy Resolution of 1956. The 1956 resolution in addition to classifying industries into three broad categories specifically

mentioned the role of the public enterprises and their strategic importance. Public enterprises cover a wide range of industrial and commercial activity. On the basis of investment pattern in the Five Year Plans the progress of the public sector is as follows:

Investment Pattern in the Five Year Plans⁷

P L A N S	Total investment in the public sector (including organised industry and mining, power and transport and communications)	The total investment in the private sector (including organised industry, mining, power and transport and communications)	Total investment (Rs. in crores)
First Five Year Plan	1,560 46.4 %	1,800 53.6 %	3,360
Second Five Year Plan	3,650 54.1 %	3,100 45.9 %	6,750
Third Five Year Plan	6,100 58.6 %	4,300 41.4 %	10,400

It will be seen from the table that the investment in public sector is gradually increasing from 46.4 per cent in the First Five Year Plan and reached the per-centage of 58.6 in the Third Five Year Plan. Further on the basis of investment in industry the position of public sector can be further visualised:

⁷ Government of India, Planning Commission, "Fourth Five Year Plan" A Draft Outline, New Delhi, 1966, p. 11.

⁸
Investment in Industry

	(Rs. in crores at current prices)		
	First Plan	Second Plan	Third Plan (envisaged)
Public Sector	55	930	1,520
Private Sector	233	850	1,050

The investment in the public sector has increased from 15 per cent in 1950-51 to 35 per cent in 1965-66. The public sector has been given greater emphasis in the Fourth Five Year Plan. The Draft Outline proposes a minimum Plan with a total outlay of Rs. 23,750 crores at June 1966 prices, the public sector investment figures Rs. 13,600 crores and that of the private sector is only Rs. 7,750 crores and Rs. 2,400 crores for public sector current outlay. The share of public sector comprising of outlays and investment accounts for 16,000 crores of rupees or 67.3 per cent of the total outlay.

The public sector according to the Fourth Five Year Plan will account for 64 per cent of the total investment as against 61 per cent envisaged in the Third Plan and its share in the reproducible tangible wealth of the country is expected to increase from 35 per cent in 1965-66 to 43 per cent in 1970-71.⁹ Without any doubt the public

⁸ *ibid.*, p. 11.

⁹ *ibid.*, p. 11.

sector is expanding in the country in number, magnitude and size. But the expanding size and increasing number of the public enterprises in the country is not the basic end of the industrial policy of the country. The concern of the Socialist Pattern of Society and a welfare state should not be the number or magnitude of public enterprises but their efficient functioning which helps to raise the standard of living of the masses, provides gainful jobs to the public and reduces the gap between the rich and the poor. If we judge the public enterprises in terms of efficiency then they present a great contrast even with the working of private enterprises. The results of the working of several public enterprises indicate great wastage of national funds. There has been considerable criticism about the inefficient functioning of the public enterprises in the country. Hence the time is ripe now to take remedial measures to eliminate the deadwood from the administrative and managerial activities of the public enterprises, to improve the overall working of such enterprises which are adding to the sufferings of the common man in the form of increased taxation and rising prices. The unsatisfactory working of the public enterprises in India is revealed by the following:

"It would be worth while to quote some data presented by the Union Finance Ministry in the First Annual Report on the working of Industrial and Commercial undertakings of the Central Government for the period 1960-61. The Report mentions that the proportion of net profits on the share capital earned by the twenty-three running commercial and industrial concerns showed an increase from 4.4 per cent in 1959-60 to 5.5 per cent in 1960-61. If the position is analysed unit-wise

the rate of return is much lesser than the average rate quoted. Again, if we compare these figures with the ratio of net profit to total equity capital of the joint stock companies for 1960, it is as high as 16 per cent. This situation underlines the real point that the capital in public enterprises is not earning fair return."¹⁰

Besides the above appraisal of the working of the public enterprises a number of other appraisals by different agencies have expressed their dissatisfaction in this regard. The Annual Number of Eastern Economist, New Delhi, has mentioned the gross inefficiency of these enterprises through Government apathy in the following words:

"It was felt then that the Government was not only failing in vital areas of its responsibility for the economic well-being and progress of this country but that in being complacent over the failure."¹¹

Such criticisms are innumerable. Our public enterprises have become the targets of public criticism. Though the number of public enterprises has been constantly increasing in the country and their sizes, financial investments and diversities are also increasing their working results are far from satisfactory. The frequent appraisals of performances of public enterprises have given a disheartening account of losses, unnecessary delays in their commissioning, shortfalls in reaching the pre-determined targets, rising costs and poor quality of the products etc.

10 Farooque, Q.H., "Incentives in Public Enterprises of India" (Faculty of Commerce, Aligarh Muslim University, Aligarh, 1963), p.2.

11 Eastern Economist, Annual Number, 1964, New Delhi, "The Battle of Industrial Production", p. 1273.

There has been, for instance, the Mid-Term Appraisal of the Third Plan by the Planning Commission and it was discussed in Parliament and its members and the Council of Ministers were worried over the slow progress of the Plan. Frequently enterprises suffered due to bottlenecks of power, raw materials and transport. The rapid increase in the number of public enterprises without reviewing the exact position of raw materials, power supplies, transport facilities and the availability of foreign exchange, the basic pre-requisites of planning and formulation of policies and the imbalances between estimates and availability - all these underline the poverty of managerial skill in the country, consequently the urgency of providing facilities to develop administrative and managerial personnel is the long felt need of the country. Consider the remarks regarding iron and steel projects:

"Thus in the case of steel it is our finding that if sufficient progress has not been made towards targets it is because there is just not enough capacity for planning or execution, within the public sector alone to accomplish a really large steel expansion programme."¹²

The Third Five Year Plan has not been impressive in reaching the targets of production. There has been general trend towards rising manufacturing costs, declining profits and non-utilisation of rated capacities. Forty out of seventy-four Central Government undertakings gave a return of Rs. 9.61 crores in 1965-66 as compared with Rs. 8 crores in the previous year. The total investment in 74 industrial and commercial

12 Eastern Economist, Annual Number, New Delhi, December 27, 1963.

undertakings being Rs. 2,415 crores. Comparing the amount of profits for 1965-66 even at an average investment of 40 undertakings the results are negligible. Let me now discuss the position of iron and steel industry to review the managerial achievements of these concerns.

THE IRON & STEEL INDUSTRY IN INDIA

Iron and Steel Industry is a basic or key industry, as the entire programme of industrialisation, defence, transport, building materials, the automobile industry, the locomotives and railway tracks, the ship-building and the aviation industry and a host of others depend on the existence of iron and steel industry and its capacity to produce iron and steel to feed them. The Indians knew the art of smelting iron with charcoal since times long before the Industrial Revolution. According to Professor Wilson, "the Hindus have the art of smelting iron, of welding it, and of making steel, and have had these arts from times immemorial."¹³ The casting of iron on the indigenous basis was done in various parts of the country. The furnaces were operated by people known as Lohars, Agarias (Blacksmiths). Though the manufacturing of iron was nominal, even then the quality of the material indicated a very high standard of skill and workmanship. India exported steel to neighbouring countries, specially to Persia where world known Damascus blades were manufactured from Indian steel. The famous Iron Pillar near Delhi, at least as old as 1500 years is an example of skill in the manufacture of

¹³ Srivastava, C.P. and others, "Organisation and Finance of Industries in India," (Kishore Publishing House, Kanpur, 1959), p.293.

wrought iron. Even England demanded Indian iron for cutlery. From the modern concept of industrialisation one can easily reject the case of steel manufacture in India, as its fate was similar to that of cotton textiles, though commanded reputation all over the world, yet were run on indigenous scale.

The Bengal Iron and Steel Company produced pig iron at Kulti in 1875 while the production of steel could not begin before 1914. In 1898, the East Indian Railway established a factory at Jamshedpur to manufacture steel from imported iron. In 1905, the Bengal Iron and Steel Company tried to manufacture steel from native raw material but it failed. The poor quality of ore, low price of imported steel, need for imported fire bricks and ferro-manganese were the factors that retarded the speedy growth of iron and steel industry in the country. A great pioneer and hero of iron and steel industry in India was Mr. J.N.Tata who after reading the report of Mr. B.Von Schwartz, a German expert, on the possibility of manufacturing iron in the Central Provinces, took keen interest to start steel production. His early efforts failed on account of government rejection. In 1899 Lord Curzon's government liberalised mining regulations and Mr. Tata succeeded in winning the favour of the then Secretary of State, Lord George Hamilton in his project. Mr. Tata went to iron belts of England and U.S.A. with a view to collect valuable information. After consultation with technical experts in steel manufacturing, he returned to India with Mr. C.M. Weld,

a consultant on mining and metallurgical engineering. He died in 1904 and his sons took up the responsibility of establishing a steel plant.

With the discovery of the iron belt in 1905 the famous Tata Iron and Steel Company was formed in 1907. There were some financial difficulties in the beginning and the requests for financial aid made to financial houses in London were turned down. It was due to the Swadeshi movement that the entire capital of £ 1,63,000 was subscribed within three weeks. The plant was constructed by 1910. Tatas produced pig iron in December 1911 and steel in 1913. The company went to passing through periods of depression and boom till 1921. There was extension programmes, which were delayed on account of post-war depression, foreign competition and high costs. Anyhow, Tatas succeeded in the formation of another company, known as the Indian Iron and Steel Company in 1918 at Dircpur (Burnpur) near Asansol, in the vicinity of coal fields of Jharie, Raniganj and Baraker. In November 1922 the company started the production of pig iron. Few other iron and steel industries were also started like the Bengal Iron Company, the United Steel Corporation of Asia, established at Manoharpur in 1921, the Eastern Iron Company and Mysore State Iron Works at Bhadravati established in 1923. The capacity of Mysore State plant was about 20,000 tonnes of iron per year. The early works mostly produced pig iron economically while it was expensive to produce steel hence Indian iron and steel works were not in a sound position to face foreign competition. Gradually the iron and steel industry started to produce steel and other varieties of products such

as rails, structurals, bars, fish plates, sheets, tin-bars and sleepers. The industry progressed till 1929 and after that the depression affected it adversely and the fall in the demand of Indian railways was a severe blow.

The Second World War gave a stimulus to the steel industry. Government needed more iron and steel for war purposes. In 1937-38 the production of pig iron and steel was 1,644,000 tonnes and 9,22,000 tonnes respectively. During 1939-40 the production of pig iron, steel ingots and finished steel increased 18 per cent, 24 per cent and 17 per cent respectively. In spite of the efforts of the pioneering industries India imported considerable quantities of iron and steel. During the Second World War the industry could not develop due to the scarcity of raw material, non-availability of machinery from abroad, war dangers and transport difficulties.

The following is the position of the industry from 1939 to 1949:¹⁴

Iron & Steel Production in India

(in thousand of tons.)			
Year	Pig Iron	Steel Ingots and Castings	Finished Steel
1939	1,750	1,050	844
1940	1,944	1,291	1,033
1941	1,997	1,407	1,138
1942	1,800	1,342	1,060
1943	1,717	1,401	1,156
1944	1,426	1,366	1,088
1945	1,356	1,365	1,141
1946	1,334	1,296	997
1947	1,320	1,256	974
1948	1,475	1,254	953
1949	1,517	1,353	1,028

14 Vakil, C.N., "Economic Consequences of Divided India" (Vora & Co., Publishers Ltd., Bombay, 1950), p. 330.

Realizing the importance of the iron and steel industry, Government decided to develop the industry under its direction and control. According to the Industrial Policy of 1948 the state started direct participation in the industrialisation of the country. Industries were started by the Central Government, State governments and in joint ownership of State, States and Union Government. Accordingly, Hindustan Steel (Private) Limited was formed on 21st December, 1953 to undertake the control, ownership and operation of the Rourkela Steel Works initiated by the Government of India in collaboration with the German Combine of Fried Krupp Essen and Demag Aktiengesellschaft Duisburg. On 1st April, 1957 the Hindustan Steel was reorganised to take over two more steel plants, i.e., Bhilai Steel Works and Durgapur Steel Works. The Bhilai Steel Project was set up in India and the Government of U.S.S.R., undertook the responsibility to provide every help in its completion. An agreement was signed on 2nd February 1955 between the two governments. The capacity of the plant was one million tons of steel ingots to be rolled into about 7,50,000 tons of rolled products. The work of construction of the plant progressed satisfactorily and the first blast furnace and coke oven were completed in the beginning of 1959 and the production of steel commenced from February 4, 1959. A third steel project under the control and management of Hindustan Steel Private Limited is the Durgapur Steel Project. The capacity of the plant was one million tons of steel with a provision of further expansion upto 2.5 million tons of steel.

As already stated the three steel plants under public sector were started with a capacity of one million tons of steel ingots with a further expansion of another million tonnes of steel ingots each. The expansion programme which is more convenient than starting new steel plants, has been assigned for the Third Five Year Plan. Another fact which is also important and encouraging is the low cost of production of steel in India. It is being felt that efforts be made to start new plants of the capacity of 2.5 million tonnes and more:

"The Steering Group on Iron and Steel is understood to have decided today to recommend to the Government it should give the topmost priority to the Bokaro project so that it might reach a production level of 2.5 million tonnes of steel ingots or 2 million tonnes of finished steel by the end of the fourth Plan."¹⁵

Though the three steel plants have started working, it is not only the commissioning of the enterprises but their economic working that is of utmost importance while evaluating the results of such enterprises in the country.

The financial results of the public sector steel plants which are as follows call for the need of a sound management and executive development programme:

¹⁵ The Statesman, "2.5 million tonnes Bokaro Steel by 1971", Delhi, Thursday, February 6, 1964, p. 1.

Financial Results of H.S. Limited¹⁶

(Million rupees)			
Year	Net Profit	Net Loss	Cumulative Results
1962-63	-	239.08	615.51 (Upto 31st March 1963)
1963-64	-	47.90	664.00 (Upto 31st March 1964)
1964-65	0.019616	-	774.00 (Upto 31st March 1965)
1965-66	167.00	-	- 494 million (from inception till 31st March 1966).

The working results of the Hindustan Steel Limited show that over a period of four years, the first two years suffered a loss of Rs. 239.08 and 47.90 million respectively, the last two years made a profit of Rs. 19,616 and Rs. 167 million respectively. The profit for the year ending 1965-66 accounted for a little over .3 per cent per annum as the subscribed capital of the company stood at Rs. 528 crores. The amount of profits is negligible and causes great concern. The cumulative results are also disheartening as the cumulative loss till 31st March 1966 has been recorded as Rs. 494 million. The working results of the Hindustan Steel Limited show that these enterprises are not being run efficiently and the masses are bearing heavy burdens of

16 9th, 10th, 11th reports of Hindustan Steel Limited, Ranchi, Directors Reports about the working of the H.S.L. The results of 1965-66 are according to the Annual Reports of the Department of Iron and Steel.

losses as taxpayers. It calls for an urgent need to improve the working of the public enterprises and to run them on sound and effective principles of management.

Analysing the working results of most of the public enterprises in general and steel plants in particular it becomes evident that it is not the number of such enterprises and their diversities that should be considered as a measure of efficient working. Actually it is the managerial efficiency in the form of delivering the goods at low prices, earning substantial profits as compared with that of the private enterprises. Managerial competence is the major requirement of the public sector. It is not the content of investment that would deliver the goods but the executive timber suitable to run the concerns on sound lines. Comparing the positions of iron and steel and non-ferrous metals in the private sector the working results can be cited as follows:

Profitability Ratios Industry-wise¹⁷
(Gross Profits as percentage of sales)

Industry	No. of Companies	1960-61	1961-62	1962-63	1963-64	1964-65
Iron & Steel	2	13.8	14.4	15.8	18.4	16.5
Non-ferrous metals	7	11.9	10.8	12.1	16.5	15.4

17 Kethari's Economic Guide And Investors' Handbook of India (Madras, 1966), p. pxxiv.

Profitability ratios as indicated by the above statistics indicate a high return on capital investment in private enterprise, consequently a high standard of managerial performance. Contrary to this the working results of the iron and steel industry in the public sector upto 1965-66 are negligible viz., not more than one per cent and can be safely cited for poor managerial efficiency.

The public enterprises were started at a time when a sound base for managerial efficiency was non-existent in the country. The public administrators were trained to maintain law and order in the country and to collect revenues for the government. They were lacking in managerial efficiency and experience of industrial enterprises. The modern tools of management developed in Western countries were unknown to the administrators because the Indian economy is mostly an agricultural economy. The management is highly centralised and delegation of authority and decentralisation are not commonly practised. Under such circumstances the rapid expansion of industrialisation created a wide gap between the need and availability of well-trained and experienced executives.

Though the public enterprises are being managed through:
(i) government departments, (ii) companies and (iii) corporations, the administrative and managerial personnel are drawn out of the government administrative machinery. The department in charge of a particular public enterprise is headed either by a minister, secretary or any other

person appointed by the government is under the direct control of the government. The administration and finances are subject to the same rules and regulations as are applied to any other form of government department.

A criticism levied against the departmental administration is relevant for the study:

"The normal administrative and financial procedures customary in departmental administration are not suitable for commercial and industrial enterprises. These enterprises have to fulfil business criteria and standards and have to meet obligations similar to and, in some respects in excess of, those expected to the private sector. The general policy, therefore, is to confer upon their managements the largest measure of financial and administrative autonomy consistent with the overall responsibility of government and accountability to Parliament."¹⁸

The weaknesses of the departmental type of management, i.e., lack of availability of correct information, red-tape, bureaucracy, rigid financial and administrative control urged for a change in the pattern of management. By 1950 it was accepted that departmental type of management did not fit in for efficient administration of industrial and commercial enterprises. Consequently, a shift to company form of management with a board of directors and board of management was introduced to the administrative and managerial functions of public enterprises. According to the decision of November 1950 government undertook to form private limited companies for the management of public enterprises. Many enterprises under the departmental type of management were changed to

¹⁸ Government of India, Planning Commission, Second Five Year Plan, New Delhi, 1956, pp. 137-38.

company form of management. The Fertiliser Factory of Sindri was the first to take initiatives and to transform into company form of management. The management of public enterprises under company form of management needed boards of directors and boards of management whose members were mostly government officials. It put great strain on the need and availability of trained and experienced industrial executives and administrative personnel.

Besides government departments, and government companies to run the public enterprises a third pattern of management has become prominent in the industrial and commercial field and that form is the public corporation type of organisation to manage the public enterprises is considered to be more autonomous, more flexible and more efficient. A public corporation under the statutory control of the Central Government is an outcome of post-Independence period, though the Reserve Bank of India that was established in 1934 also existed as a corporation. A corporation is formed with the statute of Indian Parliament. It is to manage the public enterprises started as early as 1948, such as the Rehabilitation Finance Corporation in 1948, the Damodar Valley Corporation in 1948, the Industrial Finance Corporation in 1948, the Industrial Employees State Insurance Corporation in 1948, The Indian Air Lines Corporation in 1953, the Air India International in 1953, the State Bank of India in 1955, the Life Insurance Corporation of India in 1956 and the Central Warehousing Corporation in 1956. Besides the above mentioned corporations, under the Road Transport Act, 1948 and

the States Financial Corporation Act 1951, many states have established such corporations. The management of such corporations is also in the hands of the government officials mostly.

The management function of public enterprises is performed mostly by government officials, though very few outsiders are also allowed to work on the boards. The main strain is on the limited number of civil servants and the personnel of the Indian Administrative Service. It has resulted into a number of administrative problems of the formation of the boards of directors, the boards of management, the representation of government and non-government officials, the part-time and whole-time members and the appointment of chairman, whole-timer or part-timer and inter-locking of the directors. Relating to the membership of the board the Third Plan rightly warns the public enterprises in the following:

"Membership of the board should be on the basis of ability, experience and administrative competence, and should be open not only to the employees of the public undertakings but also to persons from outside. Having been selected to serve on the board, all directors, must identify themselves with the interest of the undertaking."¹⁹

The representation of a large number of government officials on the boards of directors of public enterprises on the ground of government ownership and control is not a sound reason as it does not provide for efficient and profitable working of the public enterprises in the country.

19 Government of India, Planning Commission, "The Third Five Year Plan" (Government of India Press, New Delhi), p. 269.

The main criterion while appointing a person on the board should be based on his administrative talent and business experience. The absence of competent members on the board is causing a large number of administrative and managerial problems. Needless to mention that the incurring of huge losses due to poor planning, defective implementation, low morale of the employees, rising costs, declining production, quality of performance being low and a nominal return on capital investment, all these inefficiencies reflect the quality of the boards.

Finally, it can be noted that the withering of the managing agency system in the country and a shift towards other patterns of management such as boards of management, treasurer and secretary, managing director in the private sector and the transformation of the departmental type of management into a government company or a public corporation with boards of directors and boards of management whose members are mostly government officials, who may be quite competent to maintain law and order, but lack in administrative skill and business experience, call for urgent need for the training and development of the executive personnel meant for public enterprises in India.

From the above analysis it emerges that without managerial skill, experience and competence India cannot lay the sound foundations of a socialist pattern of society. Our Five Year Plans cannot achieve

the desired results merely through the expansion of industrialisation and emergence of the public sector. The success of the public sector greatly depends upon the availability of a large number of well trained and competent executives. The investment in industry under the public sector during the First, Second and the Third Plans was Rs. 55 crores, Rs. 938 crores and Rs. 1,520 crores respectively. The public sector according to the Fourth Plan will account for 64 per cent of the total investment. But this huge investment has failed to achieve the citizens' satisfaction. The common man has not been relieved of the burden of poverty.

Various appraisals of the performance of the public sector undertakings have given a disheartening account of losses, unnecessary delays in their commissioning, shortfalls in reaching the pre-determined targets, rising costs and poor quality of the products, etc. Hence the cry for sound management through professional managers appears to be the most appropriate measure for the healthy development of our economy. The organised private sector is also not in a happy position which has shifted towards other patterns of management. Both the private and public enterprises underline the need for training and development of the executive personnel for their continued prosperity and growth of Indian economy.

CHAPTER - II

THE ROLE OF EXECUTIVES IN THE EFFICIENCY OF PUBLIC ENTERPRISES

In the previous chapter a critical study of the pattern of management has been made both in the private as well as the public sectors. A mushroom growth of industrial and commercial enterprises after Independence along with the vices of the managing agency system led to the enactment of the Indian Company's Act 1956. The managing agency system lost its significance and other patterns of management like Boards of Directors, Secretaries and Treasurers and Managers came in vogue. The public sector being of recent existence adopted the three patterns of management viz., departments, companies and corporations. At least the private sector was guaranteed of the services of experienced and competent executives, while in case of public enterprises, the executive skill was lacking as the public sector was almost non-existent before the Independence and government officials did not have executive experience and skill to their credit.

In the chapter under study endeavours have been made to have a theoretical study of the role of executives in the efficiency of public enterprises and to apply it to the existing functions of executives

thereby disclosing the weaker spots from the scene of executive performance.

In a dynamic and complex business world of ours it is extremely difficult to run the business with efficiency and profitability. The consumer of to day is a well-informed person and is price and quality conscious. He is also conscious of taste and fashion and is most careful to make best use of his earnings in a way that something may be saved against a rainy day. To day we hear more of business failures, diversion of demand from one commodity to another, brand loyalty, and product substitution. The absence of a balanced relation between the consumers and the business enterprises is fatal. Consequently a businessman who does not care to produce or to sell a product or service to his best satisfaction would fail to retain him for a considerable time. In a poor country like India where most of the consumers are price conscious slight upward variations in prices reduce the effectiveness of quality, variety, designs, colour, taste, flavour and service facilities, it becomes indispensable that maximum care and precaution be taken to keep the costs and prices to the minimal point. It is possible only when executive services are rendered most effectively and efficiently.

The success of a business enterprise depends on the quality of managerial skill and performance. A good administration would succeed in over-coming hardships created due to excessive competition, seasonal variations in demand, heavy employee turnover, labour unrest, high cost of production, non-availability of raw materials, occasional failure of

power and work stoppages, management and union problems, the building up of heavy inventories due to unsold goods and a high cost of capital.

The role of executive is of infinite dimensions and is concerned with office as well as field activities concerned with the objective of the business enterprise. These activities are administrative as well as managerial).

EXECUTIVE FUNCTIONS:

The executive is responsible for the execution of a plan or policy endorsed to him by the administrators or the personnel of the top management. He contributes much to the formulation of the policy also. As such his services are related to administration too. The proportion between administration and management depends on the nature of work, size of the enterprise, organisation structure and executive turnover. The functions of an executive can be easily ascertained through the job descriptions.¹ A job description should specify the following points:

1. Job title
2. Summary of the job
3. Work performed
4. Tools, equipment, materials
5. Physical surroundings
6. Employee attributes

Executive positions cannot be easily exposed to job analysis,

1 Synth and Murphy, "Job Evaluation and Employee Rating" (McGraw-Hill, New York, 1948), p. 68.

because most of the executive work is to be done through others.

Job analysis and job evaluation have not been properly introduced to Indian enterprises. Recently Tata Iron and Steel Company Limited, Jamshedpur, prepared a Manual of Management Guide. It describes the responsibilities of various officers of the enterprise. Hourkela has also attempted to prepare job descriptions and job specifications for the purpose of wage and salary administration. How far it has been used in bringing employees and management closer is not known.

Briefly an executive is responsible for the following functions:

1. Planning
2. Control
3. Coordination
4. Motivation
5. Direction
6. Appraisal of performance

PLANNING OR FORMULATION OF POLICY:

A plan is a projected course of action. Planning helps to get the work done in a systematic way with least expenditure of material and human resources ensuring maximum return. A most strenuous worker may start vigorously on his work but soon would realise that things are missing and needs some tools, materials, clarification and in order to get all the required things he has to stop work. He repeats the practice several times in a day causing loss of money, materials and efforts:

"His output per hour would be low, because he had not summed up the total situation, anticipated the difficulties, and prepared to meet them before he commenced ..."²

2 William H. Newman, "Administrative Action" (Prentice Hall Inc., Englewood Cliffs, N.J., 1960), pp. 13-14.

The difference between poor planning and good planning needs great emphasis as the former minimises the chances of an enterprise to expand and be creative. In fact poor planning endangers the existence of a business unit and causes concern to owners, consumers, employees, society and the government. Planning conveys the deciding in advance the course of future action. Planning is based on the fact that it must achieve the basic objectives, keeping in mind the availability of human and material resources, technical-know-how, the present and future development programmes and economic policy of the government.

If the planning side of enterprise is not right or effective then however the best the efficiency or executive performance may be the enterprise would fail to make any substantial achievement, consequently the services of the competent and experienced executives are needed so that the planning may be materialized without causing imbalances of finances, raw materials, technical know-how and scarcities and bottlenecks of power, transport, foreign exchange and imported raw materials etc. Such imbalances would lower the productivity and profitability of the enterprise. Both planning on the government level as well as industry or unitwise in India has been subjected to severe criticisms.

After the partition of the country the administration has got infinitely burdened with tasks which according to its capacity to handle are too much. Morarji Desai, Chairman of the Administrative Reforms Commission, observed:

"Most of those who tendered evidence before the Commission during its sittings in Bombay voiced complaints against

delays, favouritism, nepotism, misuse of powers, including ministerial interference, and corruption, which was the end result of all this."³

The poverty of planning is being reflected in the failure of its implementation on the national pattern as well as sector or project wise. It equally applies to the iron and steel industry in the public sector:

"Thus in the case of steel it is our finding that if sufficient progress has not been made towards targets it is because there is just not enough capacity for planning or execution within the public sector alone to accomplish a really large steel expansion programme."⁴

The Planning Commission has also been conscious of the weaknesses in administration and remarked:

"Both in the First and Second Plans, a number of suggestions were for bringing about improvements in administration and securing larger public participation in carrying out plans of development."⁵

Like other projects, industrial and commercial enterprises in public sector, the iron and steel industry has also suffered considerably due to defective planning, inadequate staffing and wanting implementation by the top level of management and the subsequent mistakes at lower levels of performance. Government lost five precious years and great opportunity

3 The Economic Times, June 4, 1966 (Bombay), "Administration Burdened with tasks Beyond Capacity.

4 Eastern Economist, New Delhi, Annual Number, 1963, p. 1273.

5 Third Five Year Plan, Planning Commission, Government of India, ch. IV. Policy and Organisation, Administration and Public Cooperation, p. 58.

by not starting the steel plants since the beginning of planning period. It was the time when the prices of most of the materials needed for the construction of steel plants were much lower. We could save lot of money on the construction of steel plants at a lower cost due to lower wages and salaries, cost of materials both in India and abroad. Moreover, starting the production of steel at an early date could have also saved the loss of foreign exchange on the imports of steel ingots, structurals and machinery, later on produced inside the country.

Formulation of Policy:

Policy can be defined as "the objective, the mode of thought and the body of principles underlying the activities of an organization." The policy be based on objective and fair standards of trading and employment. The more a policy is in writing the more it would help to administer the affairs of the enterprise economically and efficiently. The policy may relate to production, sales, personnel promotions, training of executives, settlement of disputes, fringe benefits, quality products or economy goods, manufacturing of a component or its purchase from some other concern etc. However best a policy may be defined, it remains incomplete occasionally the executive concerned needs advice from higher official. A policy may be original, imposed and appealed. An appealed policy is that for which an appeal is made to the higher official. Where too many appeals are made to the higher officials for clarification the subordinate executives lose confidence in their own decisions.

The quality of planning and formulation of policy is affected considerably by the availability of well-trained and experienced business industrialists in the country. Though the scarcity of executives and technical personnel was admitted in the First Five Year Plan and efforts were made to overcome the problem. The problem even now exists so acute as it was in the beginning. Moreover, in the first Plan, the Planning Commission recognised the weaknesses of the administrative system to (a) corruption (b) impaired efficiency and delay in disposal of cases; lack of adequate supervision and inspection of government offices; unsatisfactory methods and procedures; particularly financial procedures; (c) certain inadequacies of the personnel system such as those relating to recruitment and training for new kinds of administrative functions, incentives and rules of punishment.⁶ The executive responsibility is to assist in the right type of planning and formulation of policy based on real inventories of technical and administrative personnel, material and financial resources. Regarding the executive personnel in iron and steel industry in public sector the situation is not satisfactory. As the existence of the industry is not even of a decade and mostly the executives who happen to be government servants, come from the field of public administration the business undertakings suffer from inappropriate organisation, unsuitable staff and inefficient management.

6 P.N. Hasalidan, Professor of Political Science, University of Lucknow, "The Planner's Attitude to Administrative Reform In India", Seminar on Indian Government and Politics, A.M.U., Aligarh, 1967.

In order to improve the quality of policy making it is most important that the policy be based on facts so that the implementation of the policy may not be hampered due to scarcities of raw materials, power, transport facilities, financial resources, foreign exchange, managerial skill and technical know-how. If during the course of implementation of the policy any one of the necessary variables becomes scarce then the entire production process becomes defunct and causes considerable loss to the enterprise.

COORDINATION:

Coordination is the establishing of job or process relation in such a way that no time is lost to transferring the work contribution of one man to the other. Time element plays an important part in coordinating the activities of various employees with a unity of purpose, e.g., in a production unit every employee should have a clear understanding of the policy whether the management cares to produce in quantity or to produce quality goods, so that there may not be difference of performance relating to quality and quantity. Before practising effective coordination the executive will arrange to know standard time for each job and process so that the assembly line may be regulated effectively in such a way that no one gets his assembly assignment before he finished the job in hand nor one has to wait till he gets new assignment.

Absence of coordination increases the cost of production. Such as the working of steel plants often suffers due to absence of coordination. Recently the import of wheel sets is increasing considerably

because of growing export orders for railway wagons to be supplied exactly on specific dates. The poor working at Durgapur and increasing expenditure on imports of wheels will neutralise the gains from exports. If it would be possible to coordinate the increasing exports with increase in production the economy would be greatly benefited accordingly.

MOTIVATION:

Motivation of executives as well as rank and file members is secondary to no other factor related to production or distribution. It is human factor that surpasses all the factors and gives a dynamic shape to organisation as well as to the business concern. Harry A. Bullis, Chairman of the Board of General Mills Inc. expresses his opinion as follows:

"The modern corporation is by itself merely a few scraps of paper, a charter and bylaws and some buildings equipped with the tools of production. The forces that give life to all this are the human forces -- the men and women, the people like you and me. It is human beings that give depth and purpose to the operation of a business. It is they who breathe into it the regard for social responsibilities that have developed our people's capitalism to the high position it occupies in the world today."⁷

The problem of motivation in Indian industrial enterprises is significant because the enterprises are not making substantial profits like their counterpart in U.K. and the U.S.A. It is due to the fact that the wage and salary administration departments of most of the enterprises

⁷ Harry A. Bullis, "Social Responsibilities of Business: What, Why and Where To?" The Controller, Vol. 20, No. 3 (March, 1952), pp. 107-110.

do not run on rational and scientific lines. It results in discarding the value of human factors -- motivation of personnel. In government offices and even in public enterprises, to a considerable extent, are given salaries and no incentives are given on individual performance basis. The continuous losses in public enterprises in India gave the idea to the government to see that how executives and employees are motivated abroad in industrially advanced countries.

In public enterprises the executives and the top management personnel got monthly salaries irrespective of the financial results of the enterprises. Even in the cases of those enterprises which have been incurring losses continuously the management may not be hampered due to scarcities of raw materials, power, transport facilities, financial resources, foreign exchange, managerial skill and technical know-how. If during the course of implementation of the policy any of the necessary variables becomes scarce then the entire production process becomes defunct and causes considerable loss to the enterprise.

Properly motivated executives and other employees would remain conscious of their responsibilities and would take pains to eliminate the imbalances in the need and availability of various raw materials, power supplies, personnel inventories and transport facilities. It would help to increase the productivity of the enterprise. Otherwise,

during the course of implementation of the policy any of the necessary variables of production, due to its scarcity and non-availability will cause great loss to the enterprise.

In public enterprises in India, usually, the members of the rank-and-file get remuneration on monthly basis. The employees of the Hindustan Steel Limited, Ranchi, too are paid on monthly basis. The efficient and competent employees, to their great dis-satisfaction, are not paid according to their performance. This causes indifference on the part of the existing employees and fails to attract others from other enterprises.

The flight or migration of executives and technical personnel from public enterprises to private enterprises caused great concern to public enterprises such as the Damodar Valley Corporation and ordnance factories. Often the employees moved from one public enterprise to another. All the movements of employees were caused due to differences in wages and salaries, working conditions, future prospects and the payment of incentives and fringe benefits. In addition to monetary gains the employees were influenced by non-monetary incentives such as the pattern of management, labour participation in management, working conditions, nature of work and the company image in public.

The best salaries are paid to the employees of the enterprises which are foreign controlled like I.C.I., Burmah Shell, Stanvac and Hindustan Lever. The office as well as management personnel get their salaries in the same scale as given in the concerns abroad.

"The General Manager of a large private engineering concern at present draws about Rs. 3,500 per month he had continued as a Bly. Engineer which he was before he resigned at Chittaranjan or elsewhere he would have only been a Chief Mechanical Engineer in the scale of Rs. 1,800-2,250."⁸

The I.C.S. and I.A.S. fill the posts of top managements come on deputation and at the end of the period return to their respective governments. As government servants they get the same scales of pay as their colleagues in other government departments. Whenever they get a high salary in a private enterprise they leave the government jobs. The migration of government servants to private enterprises can be checked only when the scales of pay and other benefits compare favourably with that of the private enterprises.

Non-Financial Incentives:

There is no doubt that financial incentives motivate employees to a considerable extent. But monetary considerations can exert their influence to a limited extent, as the income factor loses its effectiveness in the case of executives and managerial personnel getting high scale of pay. In such cases non-financial incentives prove to be effective. An executive will not be considerably motivated by a nominal increase in salary but he definitely would feel honoured if he is made a president of a committee going abroad. Such incentives are known as non-financial incentives.

⁸ H.K. Peranjape, "The Flight of Personnel in Public Undertakings", A Study Report, Institute of Public Administration, New Delhi, Jan. 1964, p. 49.

Besides, financial incentives, non-financial incentives also render unique service. A.D.Benham Carter, emphasizes this aspect as follows:

"I have heard it said that above a certain level such forces as interest in the job and sense of duty, take the place of all other incentives, and that they in themselves are sufficient to ensure that a man at the top level remains alert and efficient."⁹

Interest in the job is subject to the nature of the work, working conditions, remuneration, stability to the job, security, chances of future promotions, work load, social status, educational and technical qualifications of the person concerned, the effectiveness of communication, the measures to ensure the future development, the behavioural pattern of the management personnel and inherent and innate qualities in a man. The most effective motivation would be when due regard has been made to the industrial or group interest while handing over the assignment. Herman W. Steinkres, Chairman of the Board Bridgeport, Brass Company, Bridgeport, Connecticut, U.S.A., a prominent authority on "Motivating" has said:

"There is no important group of motivating forces that can be considered under the broad heading of 'non-financial incentives'. The management of a company cannot afford to over-look these forces which, intangible, though they may be, have much to do with the spirit of an organisation and its power of accomplishment ..."¹⁰

Such motivating forces depend upon the quality of leadership.

A change in leadership from bureaucracy to democracy will result

9 Harrison Herbert, "Vitality in Administration" Edited. (London, George Allen & Unwin Ltd., 1957), p. 86.

10 Maynard, H.B., "Top Management Handbook", Edited, (McGraw-Hill Book Company Inc., New York, 1960), p. 352.

considerably or from dictatorship to human relations would affect the attitude and the degree of cooperation extended by the subordinates as well as equals and senior personnel.

"Employees very quickly sense the true character of their leaders, and they want men and women whom they respect and even admire. They are very much interested in the community and home life of their leaders. The character and habits of the small group of top managers to whom the organisation looks for leadership have much to do with their ability to motivate their people."¹¹

Viewing the motivation of employees of public enterprises it becomes evident that much is to be done in order to retain the existing employees and to win their confidence, cooperation and loyalty. It is only possible when the government succeeds in restoring the conditions of the public enterprises as that of the model employers. It would need that adequate financial incentives are provided to the employees as well as executives. In the middle of December 1967, Chenna Reddy, Steel Minister, in a conference of ministers and heads of plants accepted in principle that all officers would get incentives.¹² How long it takes to materialise is a matter of acceptance of the need and urgency of financial incentives.

The proper motivation of the employees of public enterprises would improve the working and would help to run the enterprises at a high proportion of rated capacity which would reduce the cost of production, thereby

11 Maynard, H.B., op.cit., p. 352.

12 Personal interview at Rourkela dated 29th December, 1967.

providing ample opportunity for increased profit. Chittaranjan Locomotive Works may be cited as an evidence where the introduction of piece rate of wages resulted in a substantial increase in the production of locomotives -- 98 in 1954-55 to 183 in 1962-63, i.e., 86.5 per cent and that of boilers during the same period from 70 to 106, i.e., 166 per cent.¹³

What to talk of financial and non-financial incentives even the basic pay structures of the executives and employees are not based on a sound principle of wage and salary administration. Due to inflationary trends and a continuous rise in prices and cost of living the existing scales of pay and wages become a main cause of labour unrest and inter-union rivalry.

DIRECTION:

As the executives are concerned with getting the work done through others, it is their main business to ensure that the work is being done in exactly the same way as desired by the management. The subordinates before starting to work on their assignments get necessary directions to accomplish the work. The directions may be oral or written but they must be complete and unambiguous so that there may be no confusion in their communication. The quality of work would be subject to the quality and effectiveness of the instructions communicated to the employees. The directions be based on unity of command and must be given by a man having formal authority to do so. From top to bottom, every senior executive is

13 44th Estimates Committee Report, February 1964 (L.L. Lok Sabha) on the Chittaranjan Locomotive Works.

supposed to give directions to his subordinates and it is his responsibility to see that the subordinates have received the directions in the right way and that the work is being performed according to instructions. Before issuing directions the immediate boss should check:

1. The relevance and complexity of directions.
2. The effectiveness of communication.
3. The formal and informal way of imparting directions.
4. The qualities of men getting the directions.
5. Willingness or indifference to impart the directions.
6. Acceptance or refusal of the directions.
7. The right person to be directed.
8. Directions neither too short nor confusing.
9. Time for directions.
10. No clash with any other formal authority.

Directions may be given in formal as well as informal ways. The executive, while imparting the directions would use formal method, if a colleague or a man with equal status is going to give directions then he may use an informal method. If he has been given an assignment to direct certain people then he would use a formal way as the relations between the two have been changed due to new assignment -- the delegation of authority to accomplish a particular job.

THE METHODOLOGY OF IMPARTING DIRECTIONS:

The directions may be imparted in the form of lectures in a formal class room and the man assigned for the purpose may be either the executive in charge of the group or he may be a professional man engaged for the purpose. Directions may also be imparted on the job within the industry. The two methods of lecturing in a formal class and directing on the job are different from the effectiveness of view. The lecturing

method ignores the needs and basic changes required according to the dynamic nature of the work while it is more theoretical too. Directing the employees while they are working is also an important method of imparting training. It is more effective and up-to-date as the trainee is trained according to the actual needs of the enterprise. Secondly, it is more economical due to non-requirement of trainers and machines.

The methodology of directing in itself without effectiveness of the purpose is meaningless. The quality of direction would affect the achievement of the objectives of the plan. If the directions have not been imparted in a right way and the employees have not understood well how to do the work, however, efficient, industrious and cooperative, they may be in their efforts the results would vary from the desired objectives, ultimately causing loss of time and human and material resources. Hence it becomes indispensable that proper direction, according to the need of the employees, be given.

SUPERVISION:

Supervision is an essential part of the responsibility of an executive. It implies the issuance of instructions to the subordinates and indication of what it is that would be done. Better supervision would increase the efficiency of the executives and employees while poor supervision would result into vices of various types such as theft, wastage of raw materials, poor quality of work, a fall in productivity and ultimately overall performance of the enterprise. Most of the public enterprises in India have been suffering due to poor quality of supervision.

"Supervision refers to the day-to-day relationship between an executive and his immediate assistant, and it is commonly used to cover the training, direction, control and motivation, maintenance of discipline and minor adjustment of plans to meet immediate situations that take place in the executive-subordinate relationship."¹⁴

Supervision in a dynamic industrial world of today is an indispensable element of management. The idea in no way reduces its importance in other areas of human and mechanical performance. It is needed to ensure team work and to abolish the conditions that hinder and decrease production. If we delete the supervision or supervisory functions, then it will be akin to walking in the middle of the street without observing the "Rule of the Road". Anyhow, there is no substitute to supervision, but its intensity would vary according to the standards of morality, integrity, devotion to duty, employee relations and religious values.

Supervision is needed to ensure that the pre-determined standards of performance are being met satisfactorily and that areas of general weaknesses are being ascertained and corrected. Professor Charles L. Lipp, an authority on supervision of salesman, Ohio State University, pointed out that, "Personnel supervision is the function of establishing and maintaining the proper direct working relationship between a superior, and/or supervisors, and a subordinate for the purpose of implementing sales objects by continued training, motivation, control and communication." Hence a clear proposition will be the continuous development of the person

¹⁴ Newman, William H.: "Administrative Action." (Prentice Hall, Inc., Englewood Cliffs, N.J., 1960), p. 375.

starting with induction training and continues throughout employment. It may be formal training or informal, on-the-job training, whatever form it may have, its effectiveness shall only be guaranteed if it is properly planned and evaluated. The need and intensity of supervision in an enterprise would depend on the availability or absence of desirable variables necessary for an expanding enterprise. Such variables may include the quality of human factor -- trained or untrained, machines, raw materials, technology and techniques, etc. The human factor is a dynamic one and the management of personnel is an applied science. It is not easy to introduce supervision to managerial functions as it adds to the cost of production, ultimately it may result in its reduction.

Before starting to work for supervision, there are certain pre-requisites, i.e., the responsibility of the person or his work assignment, the area of operation of the supervisor, the degree of precision required for the job, the educational qualifications, working experience, knowledge about the new task, attitudes, skills, the machines, raw materials, and working conditions. Much of the supervisory work would be reduced if the employees have been properly selected and trained.

When Supervision Is Necessary?

Supervision is a necessity in every managerial function, specially when there is any serious problem, e.g., in a sales department the management would like to add careful supervision under the following circumstances:

1. Absence of adequate motivation.
2. Non-coverage of area of responsibility.
3. Existence of administrative and managerial weaknesses.
4. Absence of two-way communications.
5. Existence of work delays, waste of time and raw materials etc.
6. Low morale of employees.
7. High labour turnover.
8. High cost of service or product.
9. Failure to achieve the objectives or working below the rated capacity.

The question of supervision arises under the above mentioned and allied circumstances. It helps to discover the weaknesses, aids in finding out the causes of such deviations so that necessary corrective measures may be taken. It works as a check to see that the adjustments and corrective actions work well and that the production of goods and supply of services meet the specific standards.

How much supervision is needed depends on the task to be accomplished, type of territory to be covered and the distance from the headquarters.

The characteristics of the employees is another factor which will affect the amount of supervision. If the employees are well-trained and experienced and have a very high sense of responsibility and devotion to duty they would need less supervision.

The type of compensation plan would also affect the need for

supervision. The commission or piece wage would need less supervision, while the salary method requires more supervision.

The responsibility for supervision rests in the line management immediately above the operated level. Specialists and staffmen may be hired to check the schedules and analyze the reports to help the linemen. It is advisable that overall responsibility for supervision remains with the line authority.

THE UNIT OF SUPERVISION:

The number of operative employees reporting to the supervisor is called as the unit of supervision. The unit is formed according to the load-bearing capacity of the supervisor and the quality of the employees. For production workers, supervision may have a unit between 20 and 30 employees reporting to a supervisor. It is a bit difficult in case of salesmen as the unit of operation is scattered one, unlike the compact unit of production workers. Out of 400 companies the unit of supervision used in U.S.A. accounted as follows:

<u>No. of Persons</u>	<u>Percentage of Companies</u>
Less than 3 - 6	22.3
less than 7-10	24.7
less than 11-15	22.0

Approximately three-fourths of the companies selected a unit of 15 or less employees to report to an executive.

Regarding the public enterprises in India the need for effective supervision arises from the top to bottom so that the inefficient working, high cost of production, non-utilisation of rated capacity, delays in commissioning of the projects and huge losses may be checked. Supervision would help to check the standard of performance with the pre-determined standard and the difference between the two would help either to review the pre-determined standard being too high to achieve or the causes of inefficiency, delays, labour unrest can be easily detected so that corrective measures may be taken. For example the public and private sector steel plants were expected to produce 6 million ingot tonnes by the end of the Second Plan. The target for the private sector plants was mostly achieved, public sector plants did not even start regular production by 1960-61 and the desired target was achieved four years later in 1964-65. The Third Five Year programme included the expansion of the ingot capacity of the three Hindustan Steel plants by 5.9 million tonnes and the construction of another steel plant at Bokaro with an additional capacity of one million tonnes. None of the targets could materialise. A tight supervision at various stages of planning and implementation could help to achieve the objectives easily and at an early date.

CONTROL

The element of control is needed to see that how far the pre-determined or pre-established standards are being met by the employees so that the targets may be reached within the desired time and that there may not be wide variations in quantity of workmanship, nature of raw

material and the cost of the product or the service. It is not the only function of control to find out the deviations of such estimates and actuals but to find out the reasons for such deviations. When the deviations and their causes have been found out, it becomes easy to take corrective measures so that such differences may not exist again and to see that the employees do not repeat the previous practice after they have been put on the right track. In the absence of adequate control the enterprise authorities experience that the inventories consist of goods differing from the desired product in terms of service, quality of raw material, weight, measurement, quality of workmanship or the execution of the order within a specific period of time. It would reduce the sales and would annoy the purchasers, consequently production line would stop functioning thereby throwing employees out of job and depriving the consumers of the desired quality of goods. Producing defective goods means requiring more raw materials to produce standard goods and by the time the raw materials are available the flow of raw material to the production line is suspended, stopping the machines, incurring heavy expenses due to payment of wages and salaries for idle time. Secondly, it would result in scarcity of goods, rise in prices and a loss to government revenues.

After accepting the need for control, the question arises as what should be the way to make the control effective. It is possible to check every unit of product to scrutinise the variations. Hundred per cent check would mean lot of expenditure on technical personnel and waste of time. It would be undesirable in a competitive market as it would

reduce the power to compete and a rival manufacturer who uses some other techniques of checking the quality, would stand in a better position as compared with his counter rival producer who uses hundred per cent check for finding out rejects. Statistical quality control based on random sampling has proved an effective device to safeguard the quality of products and services and at reduced cost of control.

Besides hundred per cent checking and statistical quality control, inspection may be done to ensure whether the control machinery is effective. Usually, inspection is done by higher levels of hierarchy.

Budgetary Control:

Besides production planning and control, financial control is also an important tool of management to check the cost of production in line with the pre-determined estimates. Executives would use budgets and management accounting to reduce the cost of production and to run the enterprise within the pre-arranged financial resources. If the financial estimates exceed the pre-determined estimates considerably then the smooth working of the enterprise will be hampered. On the contrary, if the estimates are too high or too low than the actual expenditure, then both the situations of over-capitalisation and under-capitalisation would hamper the efficient working of the public enterprises. There have been instances of over-capitalisation against borrowings and the non-utilisation of funds resulting in the payment of interest. If there is a proper control over the proper utilisation of funds in relation to the genuineness

of financial need, the loss due to heavy interest charges can be saved and it would contribute to cost reduction. Two instances can be cited against non-utilisation of funds:

"The National Coal Development Corporation Ltd., borrowed Rs. 4 crores at 4½ per cent from the government in 1958 and for a few months a sum of Rs. 3.4 crores was deposited as "call deposits" at 2½ per cent with the State Bank of India. The loss by way of difference in interest charges paid and earned amounted to Rs. 1.43 lakhs."¹⁵

Another instance is that of the Hindustan Steel Ltd., and is given below:

"The Hindustan Steel Ltd. borrowed in 1956 large sums of money from the government, "not related to needs", and "retained the current account with no interest or deposited with bankers at lower rates of interest". During January and September of 1956 the loss on account of the difference in interest rates amounted to Rs. 3.75 lakhs."¹⁶

The evil of over-capitalisation, delays in the commissioning of projects, non-utilisation of rated capacities and failure to reach the targets in most of the public enterprises in India throw light on the working of such enterprises and invite the attention of the management personnel and government to take corrective measures to set the things in order. What to talk of the effectiveness of various forms of controls, the basic pre-requisites do not exist in the country. The author feels that there are two sort of shortcomings in the use and application of controls regarding the public enterprises, i.e., absence of controls and the menace of too many controls. It is due to inefficiency of the persons

15 Appropriation Accounts (1958-59) and the Audit Report 1960, Part I, p. 95.

16 Public Accounts Committee 1958-59, P.A.C., 41-1 pp. 66-7.

responsible for keeping the control mechanism effective at the enterprise, the use of too many controls by the centre and state or state governments, the complex and time consuming financial procedures at the centre, non-availability of foreign exchange and imported raw materials, and also excessive parliamentary control and the over-engagement of the management personnel in excessive paper work to satisfy the minister concerned with necessary details about the working of the enterprise. Excessive and unnecessary burden on the minister by the parliamentary discussion, interpellation of ministers in parliament, special committees of parliament, the Public Accounts Committee and the Estimates Committee, make it desirable that the management of public enterprises should not be dragged in party politics and parliamentary warfare, but must be given a free hand to deal with management affairs with the least possible interference by the government officials at the Ministry of Finance, members of parliament and various committees. The reliance in the managerial efficiency of the management personnel of the enterprises would restore confidence. Chenna Reddy, Steel Minister, expressed the need for the reorganisation of the Hindustan Steel Limited with separate boards to manage state steel plants. It was also accepted that attractive salaries be offered to secure the right men for the steel plants from the private sector and that the rigidity of rules and salary scales be relaxed in order to get efficient persons. The idea of relaxation in rules and scales of pay arose due to the fact that efficient and experienced executives were not available. As Durgapur Plant did not have a personnel

manager for more than a year. The Hindustan Steel Construction Corporation is without top executive for last twelve months and the Hindustan Steel Limited is also working without the General Manager and the news that S. Moolgokar from the TISCO is going to take over has not proved true so far.

APPRAISAL OF PERFORMANCE

Evaluation or appraisal of an employee's performance is an essential need of an executive. If appraisal has been done properly then it would provide adequate material to take constructive action, required by the situation. Proper evaluation minimises managerial problems while its inappropriateness or inadequacy increases executive worries, therefore, it is in the interest of the management from chief executive to lower supervisory ranks that the appraisal of the executives as well as the members of the rank-and-file is done properly to ensure that the services have been rendered according to specifications that adequate development has been made to the individual employee as a result of induction and training programmes and that it would be easy for management to promote people according to their achievements.

In Indian industries, both private and public, the appraisal of executive performance has not been made on scientific lines, with the exception of a few, even the appraisal technique has not been introduced. It is due to the fact that modern industrialisation is new to India and much has not been done.

The appraisal may be classified as follows:

1. Executives
2. Supervisory personnel
3. Rank-and-file

The appraisal of the performance of an executive is of top priority as well as difficult to accomplish. It is the executive creativeness that is responsible for the overall success of the enterprise. The entire managerial functions and the effective working of the members of the rank-and-file are subject to the quality of the executive, which is of a tangible as well as intangible nature, therefore, it becomes a bit difficult to evaluate. The executive has to see that the work assigned to him gets done through others, hence group performance is to be seen. If the pre-determined targets have been reached with a team spirit, with least labour-turnover and personnel problems, then the executive can be rated in a favourable way. Comparative study for a considerable number of years would provide reliable information about the business progress or otherwise and corrective action is easy. The desirable information under study relates to performance and other related facts like labour turnover, labour disputes, number of strikes, accidents, production figures, sales volume, goods returned as rejects, costs and other related matters. The appraisal may be made for a short term as well as for a longer period: quarterly, half-yearly or annually.

The appraisal of the executives can be done by superiors, by their subordinates, colleagues as well as the personnel of other

departments.

The appraisal of the supervisors is done to find out their exact effectiveness and to compare that with previous performance. It helps the executives to have a reliable record for promotions and corrective actions. If the executive has delegated some authority to the supervisor that it does not relieve him from responsibility for results. Frequent appraisal of results would give true picture of the operations. The appraisal of the supervisor would reveal his effectiveness regarding the performance of his unit, leadership, influence over his employees, group cooperation and loyalty in the pursuit of objectives of the enterprise.

The appraisal of the members of rank-and-file is also necessary as it helps the management to know the real worth of the employees, their weaknesses and strong points so that they may be rewarded for better performance and proper adjustments may be made where some weaknesses exist. If there are differentials in wages and salaries and also in job loads then appraisal would provide a reasonable ground for corrective action to restore confidence to employees. It would also help to ascertain need for induction and training and if it has been provided then to ascertain the difference in performance before and after the employees' training.

The appraisal of executive performance is made with a view to find out the worth of the executive for the enterprise. As such the main criterion will be to see the assignment, objective or the policy that has

been given to the executive. Whatever area of management activity the executive may belong, the general principles and techniques used for executive appraisal will hold good. In a production department the efficiency of an executive can be appraised by comparing the costs with standard engineered cost or the fulfilment of the targets or the utilisation of the rated capacity of the plant etc. The sales executive will be evaluated in terms of sales and net return. The financial executive will try to run the operations within the financial resources and would maintain a control of expenditure. The scientific process to appraise the efficiency of an executive is very complicated as a number of variables are used for this purpose. The following is the projected form of appraisal with minor modifications:

Mr. _____

		5	4	3	2	1
Policies	Knowledge of company's policies and success in "selling them"					
Imagination	Ability to bring forward new ideas and new methods					
Knowledge	The requisite technical knowledge keeps up-to-date					
Communication	Clear and understandable in letters and speech.					
Organisation	Understands the company's organisation structure and has shown ability to create a sound organisation in his own department.					

		5	4	3	2	1	17
Budgeting	Ability to formulate budgets.						
Speed of work	Commences a job with no delay and gets it done by a specific date.						
Accuracy	Information and statistics can be relied on as accurate, dependable and complete.						
Initiative	Ability to act on own initiative.						
Judgement	Shows logic and objective analysis in discussion.						
Personnel Development	Is interested in personnel development and encourages them to improve.						
House Keeping	Keeps the department clean.						
Outside Interest	Has outside interests that enable him to view his job in relation to wider trade and social events that give him a broader concept of his work.						

5. Quite unsatisfactory.
4. Irregular and inconsistent in results.
3. Consistently fair in results.
2. High standard of performance and consistency.
1. Outstanding in performance and consistency.

17 Harold Whitehead, "How To Become A Successful Manager" (Ruskin House, George Allen & Unwin Ltd., Ruskin House Museum Street, Great Britain), p. 51.

So far as the appraisal of the executives of Hindustan Steel Ltd., Ranchi, is concerned the study in relation to reaching the targets of production, utilisation of the rated capacity, commissioning of the projects in time, cost of production and financial results, the results have not been very satisfactory and therefore it has become evident that much is needed to increase the efficiency of the executives.

It has been maintained that the role of executive is of infinite dimensions. It is concerned with office as well as field activities of a business enterprise. The various activities which are assigned to an executive are both administrative as well as managerial. He is a person as well as a post and is responsible for the policy assigned to him.

The success of a business enterprise depends on the quality of executive timber which in turn is reflected in managerial skill and performance. The executive can materially contribute to the welfare of the organisation through his managerial functions of planning, control, coordination, motivation, direction and appraisal of the performance. The analysis reveals that on the whole these principles have not been followed in public enterprises of India in general. The iron and steel industry has also suffered considerably due to defective planning. Government lost five precious years by not starting the steel plants since the beginning of the planning period.

Our steel plants have also suffered due to absence of coordination. The imbalance between the production of wheel-sets and the acceptance of huge orders for railway wagons which resulted in huge imports of wheel sets consequently resulted in drain on foreign exchange

There has also been absence of motivation of the executives in Indian industries. In government offices and even in public enterprises the executives and employees get salaries and no incentive payments are made on the basis of individual performance. The absence of motivation in wages and salaries resulted in the flight of personnel from public enterprises to private ones. Damodar Valley Corporation and ordnance factories executive turnover are worth mentioning.

The management of public enterprises in India suffers due to inadequacy as well as excessiveness of control such as ministerial control, parliamentary control, financial control and control by Public Accounts Committee and Estimates Committee often hamper the smooth working of public enterprises in India. In the final analysis it emerges that the role of executives in the efficiency of the iron and steel industry in the public sector has never been according to the accepted principles of management. The civil servant lacked managerial efficiency and business experience.

CHAPTER - III

THE ROLE OF EXECUTIVES IN THE PRODUCTIVITY OF PUBLIC ENTERPRISES

In the previous chapter it has been discussed that an executive is a person as well as a post and is responsible for the policy assigned to him. The success of a business enterprise, therefore, greatly depends on the quality of managerial skill and its performance. The civil servants who generally head the public enterprises in India have little experience and skill for running the business enterprises. It is no wonder that our steel plants in the public sector have not come up to our expectations. They have failed to enjoy the citizens' satisfaction. How to make the public enterprises worthy of public confidence is a big task which can only be fulfilled through executive action. The role of the executives in the productivity of public enterprises is, therefore, of paramount importance.

In the light of the above this chapter is devoted to study the productivity of iron and steel industry in India. An analysis of productive efficiency of this industry with its counter parts in India and abroad is made with a view to arrive at definite conclusions. The study also includes the variables that affect the productivity of iron and steel industry. For a clear conception of the meaning of productivity

and its variables it is worth while to deal them briefly in the following paragraphs.

THE MEANING AND VARIABLES OF PRODUCTIVITY

As the basic contribution of productivity is to enhance output per man-hour it is important to the success of an enterprise. The results of increasing productivity can be shared by various classes of society in the country, i.e., high wages and better working conditions to employees, quality goods to consumers at reduced prices, more profits to the entrepreneurs with considerable opportunity for business expansion. The more the productive capacity of an enterprise, the greater would be its capacity to resist the action of rival business units.

The term "productivity" has been used in various ways, i.e., the relation between the inputs and outputs: output per man-hour. Productivity may also be judged in view of annual profits, labour turnover, absenteeism, accidents, economy in the use of raw material, labour turnover etc. Productivity is the result of various factors such as capital investment, labour efficiency, stage of mechanisation, size of the business unit, organisational structure and managerial efficiency. Between the two world wars besides the influences of economics and physiology, more emphasis was given to psychology, sociology and anthropology of industrial world. Productivity of an enterprise is never static and cannot be associated with any single factor of production. It is a joint product and should be dealt as such. The joint-product-idea

has also been accepted by the researches conducted by Elton Mayo and his associates at Harvard University. The monotony of work, physical conditions affecting output and accidents caused due to long working hours are the subjects of interest concerning productivity of labour force. If there are more accidents in an enterprise, work would stop for some time and it would affect the production, consequently reducing the productivity of the enterprise. Similarly, the efficiency of the employees, their willingness to accept the assignment and to cooperate with the management, are essential elements to enhance productivity. The employee satisfaction to a considerable extent is subject to wage amounts and other benefits. An increase in work load affects the willingness to work which can be counteracted by an increase in wage bill. Various incentive methods are used to increase productivity. Often productivity is confused for production. Production is the result of various factors of production or is only one side of the inputs and outputs. Production deals with one variable - output, hence it would fail to throw any light on the productive capacity of the working force. It is also possible that production is rising while productivity is falling and vice versa.

In addition to the productivity or input and output relationship in relation to labour force it can also be referred to the efficiency of machines, e.g., how many thermal units of heat per ton of fuel consumed or how many miles per gallon of petrol regarding an automobile. Though the improved quality of machines and raw materials are decisive

factors in enhancing the productivity of a business concern yet it is the ratio of working force and output that determines the measure of productivity. In countries where more emphasis is given on the maximisation of the productivity of capital investment, the return on capital investment is high comparatively to the capitalist countries like U.K. and U.S.A., while it is lower if compared to that of labour force, i.e., output per man-hour. The maximisation of the productivity of capital investment is the basic consideration of such countries having plenty of labour force while confronted with capital scarcities such as the case of U.S.S.R. "The Russians, however, think first and foremost about the productivity of capital equipment. They are also concerned with the productivity of labour, but their heaviest pressures and biggest rewards are reserved for increasing productivity of capital equipment."¹ The case of labour productivity or inputs and outputs relation in the United States is contrary to that of the U.S.S.R., owing to her relatively abundant capital and expensive skilled labour, general trend has been to maximise labour productivity. This factor has its repercussions on the size of industrial units and the use of industrial apparatus. The size of blast furnaces is considerably larger in U.S.A., and the idea that greater the size of blast furnace or the industrial unit till it has reached the optimal point, is gaining momentum. Between 1913 and 1929 the average annual productivity of blast furnaces rose by 80 per cent and of open hearth by 60 per cent. Veingarter's claim indicates that

1 Clark M. Gardner, "The Economics of Soviet Steel" (Harvard Univ. Press, 1956), ch. 15. , p. 247.

89 per cent of the open-hearths in the United States constructed during a period of 1926 to 1930 were of 100 ton capacity or more.

The National Association of Manufacturers has itemized some thirty-seven factors which help to determine labour productivity.² Frederick Mills of Columbia University worked out the increase in productivity in U.S.A., from 1899 to 1950 period and concluded an average cumulative increase of 2.2 per cent per year. The productivity of an enterprise is affected by the coordination of various variables that form the elements of production. Some of them can be cited here:

1. Availability and quality of machines, tools and accessories
2. Maintenance of capital investment
3. Time intervals for repairs and renewals
4. Degree of modernisation introduced to the industrial unit
5. Managerial efficiency
6. The effectiveness of production planning, forecast and control
7. Availability of research and methods study
8. Availability of raw materials
9. Measure to overcome power failures
10. Production processes
11. Job design
12. Production design
13. Factory location
14. Plant layout
15. Inventory control
16. Production control
17. Quality control
18. Work measurement
19. Labour cost
20. Innovations
21. Standardisation, simplification and specialization
22. Labour legislation
23. Social security measures
24. Education (both liberal and technical)
25. Training (break-in and continuation)
26. Experience

2 Productivity, National Association of Manufacturers, Economic Policy Division Series No. 53, 1952, p. 15.

27. Quality of health and vitality
28. Moral and ethical values
29. Adaptability
30. Attitudes toward mobility
31. Motivation
32. Organisation structure
33. Labour and management relations
34. Personnel development facilities
35. The effectiveness of wage and salary administration
36. The use of costing techniques
37. Price consciousness of the employees
38. Profit earning capacity of the industrial unit
39. Voluntary assignment or imposed work.
40. Informal organisation

The various elements enumerated above affect the productivity of the enterprise considerably and a well-coordinated relation between them would help to increase the productivity. A cordial relationship between the union and the management would not result in the formation of informal organisation and unhealthy cliques undermining the morale of the employees and reducing the inputs and outputs proportion or productivity.

The concept of productivity is of recent origin in India. The establishment of the National Productivity Council and its various branches in states came into existence after Independence. This step is a move to popularise productivity consciousness in the country. But there are inherent drawbacks owing to the predominance of agricultural economy. The variables enumerated above are of great significance in an industrially advanced country. Each variable is likely to contribute towards the productivity of an enterprise and if any one of them is not being dealt with properly it would decrease the productivity of labour, capital equipment, raw materials etc. The sub-division of managerial

functions into various variables, as enumerated above, affect the productivity, this fact has not been given due care by the Indian industries in general and the public sector in particular. This in turn may be due to the lack of managerial skill, dearth of well-experienced executives, and absence of strong labour unions.

The productivity variables that affect productivity are broadly cited as follows:

- i) Policy formulation, planning & decision making:
 - a. Vitality of administration
 - b. Organisation structure
 - c. Centralisation and decentralisation
 - d. Office management
- ii) Production management:
 - a. Production planning
 - b. Factory planning
 - c. Manufacturing planning
 - d. Control - inventory, budgetary and cost
 - e. Work measurement
 - f. Mechanisation, innovation, automation, etc.
- iii) Personnel management:
 - a. Wage and salary administration
 - b. Labour policy of the management
 - c. Labour legislation
 - d. Union recognition and union and management relations.
 - e. Labour participation in management
 - f. Job analysis and job evaluation
 - g. Motivation
 - h. Workers' education
 - i. The machinery to settle the labour disputes
 - j. Price consciousness of the employees
 - k. The existence of informal organisation
 - l. Communications - channels.
- iv) Sales Administration:
 - a. Sales planning
 - b. Sales forecasts
 - c. Market research and consumers surveys
 - d. Developing the markets
 - e. Pricing policies
 - f. Channels of distribution
 - g. Training facilities

Due to the recent beginning of industrialisation in the country and the absence of industrial experience of government executives in public enterprises the above mentioned variables of productivity are not performed efficiently. In most of the cases there is absence of coordination among various variables and factors of production. This causes delay and non-utilisation of full rated capacity of the enterprises, consequently the productivity is brought down. Hence it becomes most indispensable that all the variables affecting the productivity must be dealt with efficiently. It is a basic pre-requisite for running the public enterprises efficiently in the country.

THE UNION AND PRODUCTIVITY

Labour unions do exercise a conspicuous influence over labour productivity. The acceptance of the labour union, the settlement of labour problems through joint consultation exercise as encouraging elements to ensure the working of the employees with a team spirit, loyalty to management and devotion to duty. There exists considerable evidence that unions during the periods of depression, with their full cooperation and strenuous labour have overcome the crisis. Joe Scanlon, an expert and well-known figure in industrial relations at MIT gave an account of the little steel company which suffered a lot due to Great Depression. The workers were afraid of the loss of jobs. Through the union Scanlon succeeded to have a deal with the company to increase the production process, save the company as well as the employment for the workers. The deal was accepted by the company. Scanlon showed that the

workers cooperation, skill and energy could save the company. On the contrary, the dissatisfied workers waste considerable energy in restraining production at the minimum point. Union strength through collective bargaining, to a considerable extent in western countries is working as check against the unfair management practice. The maximum productivity is possible only when there exists a harmony between the employer and the employees. Such harmony is subject to certain pre-requisites like fair wages, good working conditions, regular promotions, fair chances of advancement, service facilities, fringe benefits, good industrial relations, the existence of cordial relations between the union and the management and overall good morale of the employees.

It may be concluded that productivity is meant different things to different people under varying conditions. Precautions must be taken to see that if productivity of two different units is to be compared in physical terms then both the units must have a fairly homogeneous product structure. If comparisons are not made for exactly similar products regarding material, workmanship and designs, results would be misleading. Among various methods of evaluating productivity most commonly used method is 'labour productivity'.

The International Labour Office, Geneva, while discussing over the concept of productivity also defines it as output per man-hour.³ Though the author has not discarded other views, i.e., output of a factory

3 Tillers, S., "Productivity in Under-developed Countries", ILO, Geneva, 1956, pp. 3-5.

may be described in terms of money value of sales, number of units produced, or net profit, similarly the inputs may be defined as man-hours, the quantity of raw materials consumed, amount of capital, machine hours or foreign exchange required. Any one of the above mentioned factors or more than one may be used for outputs as well as inputs. "In Israel, for example, it is quite common to judge the success of an industrial unit by taking added value as output and foreign currency requirements as inputs."⁴

THE MEASUREMENT OF PRODUCTIVITY

Defining of productivity is not the final aim of an enterprise, as it would not solve the problems concerning the return on investment, expansion and pricing, etc. To be more specific, productivity be measured so that the results of any two industrial units may be more accurately compared. To facilitate the measurement of productivity need arises for an adequate system of costing and accounting, so that the inputs and outputs be shown in numericals, consequently a proportion or percentage of change can be calculated easily. The total price of all the factors of inputs and the total proceeds of outputs would reveal the amount of profit and loss. Generally index numbers are used for this purpose. In India where industrialisation has gained momentum since the dawn of independence, the concept of productivity is a recent one and the use of index numbers has not been widely used so far. The index of industrial production was first compiled by the Economic Adviser to the Government

4 Op.Cit., p. 5

of India in 1948.

It would be of great use to study productivity trends in U.S.A., U.K. and U.S.S.R. This would help to reveal the factors contributing to increase the productivity and production trends. The comparison of productivity rise in industrially advanced countries and that in India would facilitate to encourage such factors that add to productivity while eliminate those conditions or factors that retard its growth.

PRODUCTIVITY TREND IN U.K.

Britain is one of those few industrially advanced countries which have contributed materially towards production organisation and managerial techniques resulting in the lowering of cost of production to the possible extent or by increasing the ratio between the inputs and outputs to the optimal point. Economists like Adam Smith and Charles Babbage were conscious of production organisation, division of labour and economy of machinery and manufacturers. Besides the development of production organisation, planning, forecasting and control, efforts were made to enhance the effectiveness of office management. Researches under organisation and methods were conducted by government as well as private agencies. The productivity of an industry or a firm increases subject to an overall increase and development of all the factors concerned. If production line suffers on account of non-availability of any factor of production, the optimal efficiency of the residual would become ineffective. Consequently efforts have been made to increase

the power resources.

The following table shows the increase of pig iron, crude steel and heavy products etc., from 1937 to 1963.⁵

<u>Production of Steel & Products</u>					
(Million tons)					
	1937	1948	1953	1960	1963
Pig iron	8.5	7.8	11.2	15.8	14.8
Crude Steel	13.7	12.7	17.6	24.3	22.5
Heavy Products	4.2	3.8	8.3	6.2	5.2
Thin Flat Products	2.2	1.7	1.5	4.0	4.7
Light Rolled Products	2.8	3.3	4.3	6.3	5.6

With the help of the above mentioned table the increase in the production of pig iron and crude steel from 1937 to 1963 and other time intervals will be as under:

<u>Indices of Pig Iron and Crude Steel</u>									
1937 as base year index number = 100									
	1937	1948	Index No.	1953	Index No.	1960	Index No.	1963	Index No.
Pig Iron	8.5	7.8	91.8	11.2	130.0	15.8	185.9	14.8	174.1
Crude Steel	13.0	12.7	97.6	17.6	133.4	24.3	186.9	22.5	173.0

Regarding the production of pig iron from 1937 till 1963, a period of 27 years has registered the growth of approximately 74 per cent

⁵ Commerce, Bombay, 18th July 1964, "Future of British Steel Industry."

or 2.7 per cent per annum. The increase in production of both pig iron as well as crude steel does not display any promising figure as one may suspect something akin to inefficiency in steel industry in the United Kingdom, but the National Economic Development Council believes that the industry operates at a high level of efficiency. The British Iron and Steel Research Association realized that efficiency is multiplied only by research hence the use of oxygen in steel making is being used to such an extent that over half of steel is made with the help of oxygen.

STEEL PRODUCTION IN SOVIET UNION

Like the U.S.A. and the U.K., the Soviet Union has also exerted to increase the production of steel as well as the productivity of labour force. As mentioned previously, the Soviet Union comparatively preferred maximisation of the productivity of capital investment to that of labour as financial resources have been scarce.

The following tables show the productivity trends of pig iron, steel and rolled iron from 1928 to 1951:

Millions of metric tons		
Y e a r	Pig Iron	Index Number
1928	3.3	100.00
1929	4.0	121.2
1930	5.0	154.5
1931	4.9	148.4
1932	6.2	187.8

<u>Y e a r</u>	<u>Pig Iron</u>	<u>Index Number</u>
1933	7.1	215.1
1934	10.5	316.1
1935	12.6	381.8
1936	14.4	436.3
1937	14.5	439.3
1938	14.6	442.4
1939	n.a.	n.a.
1940	15.0	454.5
1945	9.2	278.7
1946	10.2	309.00
1947	11.7	354.5
1948	14.3	433.3
1949	n.a.	n.a.
1950	19.4	587.8
1951	22.1	669.6

With the available information for seventeen years the index number reached 669.6 showing a net increase of 569.6 per cent or 18.8 million metric tons. The average increase in the production of pig iron for the same period comes to approximately 1.1 million metric tons a year.

THE PRODUCTION OF STEEL

<u>Millions of metric tons</u>		
<u>Y e a r</u>	<u>Steel</u>	<u>Index Number</u>
1928	4.3	100.00
1929	4.9	113.9
1930	5.6	134.8
1931	5.6	130.2
1932	5.9	137.2
1933	6.9	160.4

<u>Year</u>	<u>Steel</u>	<u>Index Number</u> ⁶
1934	9.7	225.5
1935	12.6	293.0
1936	16.4	381.1
1937	17.7	411.6
1938	18.0	418.6
1939	n.a.	n.a.
1940	13.4	391.4
1945	8.5	250.0
1946	9.6	282.3
1947	11.0	323.5
1948	n.a.	n.a.
1949	n.a.	n.a.
1950	21.3	626.4
1951	n.a.	n.a.

Assuming that in 1951 there was no change in production and it was at least 21.3 million metric tonnes, the index number reached the figure of 626.4 over a period of 17 years. It registered an average increase of about 1.05 million metric tonnes per year.

There is a direct relationship between the size of a blast furnace or open hearth furnace and the productivity of labour. The larger the size of the furnace the productivity tends to increase till the furnace has reached the optimal size. In the Soviet Union, during the thirties there was a general trend toward enlargement of the size of furnaces. The average size of a Russian blast furnace in 1929 was

⁶ The production figures and index numbers are prepared with the help of production figures supplied by Table 31, p. 114. "Labour Productivity in Soviet-American Industry", by Walter Galenson, Columbia University Press, New York.

approximately 290 cubic meters, it was increased to 468 cubic meters in 1938. Similarly the sizes of open-hearth furnaces were also enlarged from 21.8 to 27.0 cubic meters. Twenty-nine furnaces had a capacity of more than 800 cubic meters. The capacity of the largest furnaces was recorded to 1,300 cubic meters.

The productivity per wage earner differs from plant to plant. The following table exhibits the position of productivity per wage earner according to the sizes of the various plants:

New Plants	Classified Output of pig iron per wage earner (Metric Tons.)	Output of Steel per wage earner (Metric Tons)	Output of Rolled Steel per wage earner (Metric Tons) ⁷
Magnitogorsk	2,523	928	480
Kuznetsk	1,835	813	436
<u>Completely Reconstructed</u>			
Ozherzhinsk	707	485	270
Kirov	2,024	530	362
Veikov	1,251	n.a.	407
Voroshilov	1,049	311	194
<u>Partially Reconstructed</u>			
Petrovsk	677	380	266
<u>Nonreconstructed</u>			
Frunze	538	345	112

7 A.A. Arakelian, "Proizvo-ditel'nost' truda v. Cherno metallurgie SSSR", in Akademiia Nauk, Institut Ekonomiki, Proizvoditel'nost' truda v. promyshlennosti SSSR, pp. 68, 72, 75.

In terms of productivity of each wage earner of pig iron, steel and rolled steel the above mentioned table can be cited as follows:

New Plants	Classified output of pig iron per wage earner (Metric Tons)	Index No.	Output of Steel per wage earner (Metric Tons)	Index No.	Output of Rolled Steel per wage earner (Metric Tons)	Index No.
Magnitogorsk	2,523	100.0	926	100.0	480	100.0
Kuznetsk	1,835	72.7	813	87.6	436	90.8
<u>Completely Reconstructed</u>						
Oghezhinsk	707	28.01	485	52.2	270	56.2
Kirov	2,024	80.2	530	57.2	362	75.4
Volkov	1,251	49.5	n.s.	n.s.	407	84.7
Voroshilov	1,049	41.1	311	33.5	194	40.4
<u>Partially Reconstructed</u>						
Petrovsk	677	26.4	380	49.9	266	55.4
<u>Non-reconstructed</u>						
Frunze	538	213.0	345	37.7	112	23.3

From the index numbers of pig iron per wage earner it is obvious that the productivity differs from plant to plant and goes on decreasing as the plants change from the brackets of new plants to completely reconstructed and to non-reconstructed. Between the two new plants the productivity varies between 100 and 72.7 per cent respectively. For the completely reconstructed plants the productivity figures vary between 80.2 per cent and 41.1 per cent as compared to the optimal production of the new plants, while the productivity of the latter categories stands as

one-fourth to the new plants approximately. The results of steel and rolled steel per wage earner are also different from plant to plant in the same category as well as in relation to new plants, completely reconstructed, partially reconstructed and non-reconstructed.

The pace of progress over a period of nine years (1951-1960) the increase in production of steel is as follows:⁸

Y e a r	Production in tens	Index Number (1913 = 100)
1951	31,400,000	742
1952	34,500,000	815
1953	38,000,000	898
1954	41,000,000	969
1955 Plan	44,000,000	1039
1960 Plan	60,000,000	1323

The increase in the production of steel for the above mentioned period is 28 million six hundred thousand or an average increase per year as 3,177,777 metric tons.

In the Soviet Union the question of productivity has become important since the beginning of the First Five Year Plan (1941). However, the Russians give first priority to the productivity of capital. Frequently precise data is published in big three daily papers, Pravda, Izvestia or Trud, regarding the productivity of blast furnaces in terms of output per unit of capacity.

⁸ Clark M. Gardner, "The Economics of Soviet Steel" (Harvard Univ. Press, 1956), p. 10.

PRODUCTIVITY OF U.S. IRON AND STEEL INDUSTRY:

Industrialists in U.S.A. have worked strenuously on productivity. After the Second World War the governments and the industrialists of the European countries and of the U.K. mainly sent productivity teams to the United States to study the American production systems, technology and managerial practices. There has been a vast difference in productivity trends in the Soviet Union and the U.S.A. In the former, efforts are made to maximise the productivity of capital investment, as the financial resources have been comparatively scarce, while in the latter there has been scarcity of labour and abundance of capital resources, industrialists have tried to maximise the productivity of labour. Researches were conducted in various subjects affecting productivity of labour and included human and industrial psychology, methods study, production planning, market research and consumers' surveys, and operations research etc.

According to National Association of Manufacturers, New York, the following is a partial list of the many variables in the process of production:⁹

A Partial Outline of the Factors Which Determine Labour Productivity:

I. Technological Factors:

Ingenuity of engineers and others in devising innovations:

- a. In tools and equipment
- b. In productive methods
- c. In materials

⁹ Productivity Gauge of Economic Performance, National Association of Manufacturers (New York, N.Y., 1952), p. 13

II. Management factors:

Attitude and behaviour of businessmen with respect to:

- a. Competitive spirit
- b. Willingness to assume risks
- c. Willingness to adopt innovations
- d. Efficient scheduling of work (including division of labour and plant layout)
- e. Efficient purchasing of materials
- f. Aggressive expansion of markets
- g. Efficient handling of labour relations
- h. Active support of search for new and better methods
- i. Standardization of products

III. Financial factors:

Availability of capital for financing innovations:

- a. In existing industries
- b. In setting up brand new industries

IV. Labour factors:

The characteristics of the labour force with respect to:

- a. Degree of skill
- b. General education
- c. Health
- d. Morale
- e. Hours of work
- f. Adaptability
- g. Geographic mobility
- h. Willingness to accept innovations
- i. Attitude towards "feather-bedding"
- j. Manner of compensation

V. Government factors:

Government policies dealing with:

- a. Competition
- b. Business size
- c. Taxation
- d. Subsidization
- e. Tariffs

VI. Economic Factors:

The general background economic climate. In particular:

- a. The rate of operations
- b. The allocation of population as between farming and industry
- c. The availability of transportation
- d. Willingness of the public to save and invest
- e. Willingness of consumers to accept new products

VII. Natural factors:

The state of such uncontrollable factors as:

- a. The weather
- b. The presence or absence of mineral deposits
- c. The condition of the soil

The steel industry of the United States of America is most significant in the world, as the quantity of the production of steel, its gradual development, and the rate of increase in labour productivity etc., have placed her in a position of a leader in steel production. The plant capacity of steel industry in 1955 was more than double of all "iron curtain" countries combined.

The following table exhibits the position of the United States regarding the production of steel as well as increase in steel production in relation to other important steel manufacturing countries.

Steel Production in Leading Countries Since 1900¹⁰

(Thousand of net tons -add 000)

	1900	Index No.	1910	Index No.	1920	Index No.	1940	Index No.	1950	Index No.
World	31,170	100	66,450	213	79,856	256	1,56,982	504	204,348	645
United States	11,441	100	29,226	256	47,189	413	66,983	585	96,836	846
Russia	2,419	100	3,905	161	178	7	20,000	827	27,300	1,542
Gr. Britain	5,488	100	7,139	112	10,155	185	14,532	265	18,248	332
Germany*	7,123	100	14,437	203	9,410	132	21,067	296	13,361	188
France	1,725	100	3,763	218	3,360	195	4,868	282	9,536	553
Japan	-	-	-	-	930	100	7,553	810	5,343	575
Belgium	706	100	2,139	303	1,378	195	2,090	296	4,177	592
Canada	22	100	831	3,777	1,242	5,645	2,174	9,881	3,343	15,195
Luxembourg	202	100	661	327	638	310	1,151	570	2,702	1,337
Italy	146	100	806	553	851	583	2,487	1,703	2,562	1,754
India	-	-	-	-	179	100	1,176	657	1,610	899
Sweden	325	100	515	158	482	151	1,257	387	1,606	494

¹⁰ The index wise table has been prepared with the help of production figures given in United Nations, Iron and Steel Federation, American Iron and Steel Institute; The Iron Age; Metal Statistics, 346 quoted in "The World Book Encyclopedia Volume 9, Field Enterprises Educational Corporation, Chicago, Illinois, 1960. The index number has been calculated by the author.

* In 1950 in West Germany only, earlier all of Germany.

The table indicates the world production of steel and its distribution amongst steel producing countries. The countries which started late in the production of iron and steel were Japan and India. Japan's achievement in steel production was substantial, i.e., 9,30,000 net tons. In 1940 the production index number rose to 810 or 8.1 times during a period of 20 years. India's production of steel was a nominal one which was 179,000 tons. In 1940 the index of production rose to 657 or the production of steel increased by 6.57 times. Even the beginning of production of iron and steel in India was nominal and its development in comparison to Japan was inconspicuous. The main credit goes to U.S.A., Great Britain, Germany and France which started with considerable share of world production. In one respect Canada's example is worth citation. The country commenced the industry with 22,000 tons and in 1950 the index number rose to 15,195 the highest in the table. The same table can be further exhibited in terms of the share of production of each country in relation to world steel production.

Steel Production In Leading Countries Since 1900 ¹¹

(Thousands of Net Tons -add 000)

	1900	Percentage of World Production	1950	Percentage of World Production
World	31,170	-	2,04,348	-
United States	11,441	36.7	96,836	47.3
Russia	2,419	7.7	27,300	13.3
Gr.Britain	5,488	17.6	18,248	8.9

¹¹ The table has been computed with the figures of production supplied by "The World Book, Encyclopedia, Vol. 8, p. 346, Field Enterprises Educational Corporation, Chicago, Illinois, 1960.

	1900	Percentage of World Production	1950	Percentage of World Production
Germany	7,123	22.8	13,361	6.5
France	1,725	5.5	9,536	4.6
Japan	-	-	5,343	2.6
Belgium	706	2.2	4,177	2.0
Canada	22	0.07	3,343	1.6
Luxembourg	202	0.6	1,337	1.3
Italy	146	0.4	1,754	1.2
India	-	-	899	0.7
Sweden	325	0.1	494	0.7

Viewing the percentage of production of steel in 1900, the United States produced 36.7 per cent, the highest contribution. Other countries ranking next according to production were, the Germany, the Great Britain, while Soviet Union ranked fourth with a percentage of 7.7. After an interval of fifty years the position of the main steel producing countries were changed. The United States improved from 36.7 per cent to 47.3 per cent. The Russian position changed from fourth to second and the percentage of production increased from 7.7 to 13.3. The Great Britain suffered a reduction from 17.6 per cent to 8.9 and the Germany which accounted for 22.8 per cent., the second largest producer after the United States lost her position due to partition after the Second World War and produced only 6.5 per cent of the world production.

The recent position of steel production of the United States and the Soviet Union may be cited as follows:

Steel Production¹²

(000 tons)			
Country	1960	1961	1962
U.S.A.	99,282	98,014	98,014
Soviet Russia	70,800	76,300	80,200

Assuming 1960 as the base year, the change in production of steel is 98.7 per cent and 98.7 per cent respectively for 1961 and 1962 for the United States. The production trends in case of the Soviet Union are increasing to 107.7 and 113.2 per cent for 1961 and 1962 respectively. When the production reaches the optimal point the changes in production are determined subject to other reasons rather than purely productivity variables.

LOW PRODUCTIVITY OF IRON AND STEEL INDUSTRY IN INDIA

The Indian iron and steel industry has been suffering due to low productivity. The labour productivity is approximately 50 to 60 per cent of that of U.S. iron and steel industry. Viewed from a number of angles involving return on capital investment, utilisation of rated capacity, cost of power consumed, cost of human labour, the position of iron and steel industry in the public sector is the worst.

Viewing the position of industrial production in the country the position is as follows:

12 The figures for U.S.A. "The Europa Year Book, 1964 (A World Survey Directory of Countries and International Organisation, Vol. II, London, Europa Publications Limited, 10, Bedford Square, W.C.1., 1964), p. 978, figures for Soviet Union ... Ibid., Vol. I, p. 978.

Index Numbers of Industrial Production¹³
(Base 1956 = 100)

Year	General Index Number	Percentage Change over Preceding Year
1961	141.0	-
1962	152.6	8.2
1963	165.8	8.7
1964	177.0	6.8
1965	186.9	5.6
1966	191.6	2.5
1967	193.6	1.1

The industrial production over a period of seven years shows a downward trend in industrial production. In 1962 the industrial production increased by 8.2 per cent and in 1963 it went up by 8.7 per cent over 1962. It began to decline and reached a nominal increase of 1.1 per cent in 1967. The deterioration in industrial production is a reflection on the over-all declining trends in productivity in the country. As such the iron and steel industry has also been affected adversely. The profitability ratios of public and private enterprises are cited below:

¹³ Eastern Economist, Annual Number, 1968, p. 1174.

TABLE - I Profitability Ratios of Public and Private
Sector Undertakings.¹⁴

	<u>Gross Profit 1958-59</u>		<u>Public in</u> <u>Private in</u>	
	<u>Government</u>	<u>Private</u>	<u>Excess</u>	<u>Excess</u>
Iron and Steel	-	7.38	-	7.38
Engineering	4.34	13.64	-	9.30
Chemicals	10.73	9.06	1.67	-
Shipping	-	5.18	-	5.18
Mineral Oils	-	17.87	-	17.87
Coal Mining	1.77	13.36	-	11.59
Paper	11.71	15.27	-	3.56
Trade	43.64	12.43	31.21	-
T O T A L	8.43	10.59	4.11	6.88

TABLE - II Net Profits 1958-59

	<u>Net Profits 1958-59</u>		<u>Public Excess</u> <u>Private Excess</u>	
	<u>Government</u>	<u>Private</u>	<u>of net profit</u>	<u>of net profit</u>
Iron and Steel	-	11.94	-	11.94
Engineering	3.63	9.32	-	5.69
Chemicals	6.77	6.28	0.49	-
Shipping	-	6.16	-	6.16
Mineral Oils	-	11.70	-	11.70
Coal Mining	2.15	6.76	-	4.61
Paper	10.63	10.60	-	0.03
Trade	35.04	7.14	27.9	-
T O T A L	6.45	9.77	-	12.57

14 The three tables compiled with the profitability figures supplied by The Eastern Economist, Annual Number 1968, p. 1174.

**TABLE - III Profitability Ratios of Public and Private
Sector Undertakings.**

	<u>Net worth 1964-65</u>		<u>Government Excess</u>	<u>Private Excess</u>
	<u>Government</u>	<u>Private</u>	<u>% of net worth</u>	<u>% of net worth</u>
Iron and Steel	0.49	10.63	-	10.14
Engineering	10.55	13.26	-	2.71
Chemicals	3.67	12.23	-	8.56
Shipping	6.01	5.46	0.55	-
Mineral Oils	3.18	6.97	-	3.79
Coal Mining	- 3.19	4.75	- 3.19	4.75
Paper	6.39	6.00	0.39	-
Trade	12.83	9.24	3.59	-
T O T A L	2.11	10.67	-	25.71

Table I indicates the gross profit of government and private enterprises in 1958-59. The position of government enterprises with the exception of trade does not compare favourably with that of private enterprises. The iron and steel industry in public sector does not show any profit while that in private sector made a profit of 7.38 per cent. However, the gross profit of trade is considerable yet the average of private industries and the excess both show favourable figures of 10.59 and 6.88. Table II also gives a favourable picture of the working of private enterprises. The iron and steel industry in the public sector did not contribute anything toward net profits. The third table, comparing the public and private enterprises in relation to net worth, gives an average return of 2.11 and 10.67 per cent respectively, while the excess

of net worth of private enterprises is also 25.71. In this way the three tables give a clear picture of the poor profitability of public sector undertakings in the country.

As a matter of fact the working of the public enterprises in India is suffering due to a host of problems beginning from top management to various layers of management, defective organisation, poor implementation of plans, absence of effective controls and proper motivation of employees. The poor quality of administrative personnel at the top fails to perform the executive duties efficiently and economically. As a consequence to this the targets are not achieved and the full rated capacities of the plants are not utilised fully. The non-utilisation of rated capacities increases the cost of production and reduces the profitability. In contrast to this the private enterprises in the country such as TISCO and IISCO are working quite efficiently and have even faced the recession of the current year. To be more exact the working results of the Hindustan Steel Limited, Ranchi can be referred to the 11th Report of the Hindustan Steel Limited, Ranchi. According to the report the working results of the company are as follows:

WORKING RESULTS ¹⁵		
	Profit ()/ Loss (-)	(Rs. in lakhs) After/prior period adjustment.
1962-63	(-)	2,146.87
1963-64	(-)	623.87
1964-65	(-)	895.79

¹⁵ Eleventh Report 1964-65 Hindustan Steel Limited, P.O. Hinoor, Ranchi, p. 22.

Besides continuous losses over a period of three years commencing from 1962-63 the cost of sales to sales of the production units is also disheartening and needs careful consideration.

Cost of Sales To Sales¹⁶

	Sales (including stock transferred to projects under construction).	Percentage of cost of sales to sales
<u>1962-63</u>		
Rourkela	3,425.70	131.3
Bhilai	5,290.67	108.5
Durgapur	3,630.19	123.3
<u>1963-64</u>		
Rourkela	5,860.99	110.7
Bhilai	6,302.30	97.6
Durgapur	5,682.77	100.3
<u>1964-65</u>		
Rourkela	6,840.37	94.9
Bhilai	6,965.42	99.3
Durgapur	6,126.09	99.1

The percentage of cost of sales to sales in relation to the three steel plants are very high and differ in uniformity. The costs need to be reduced and standardised so that the working efficiency may be easily compared and improved.

According to the Ninth Annual Report on the business and operations of Hindustan Steel Limited, Ranchi, Bihar, for the financial year ending 31st March, 1963, the company made a profit of Rs. 66.36 million exclusive of the provision for depreciation. Contribution of each plant was as

¹⁶ Prepared with the information supplied in the Eleventh Report of the Hindustan Steel Limited, Ranchi, p. 23.

follows:

Rourkela	5.43	million rupees
Durgapur	4.73	million rupees
Bhilai	54.60	million rupees
Coal washeries	1.52	million rupees

After making provision for depreciation and other charges, the net loss suffered by the company for the year under report was 239.08 million rupees as detailed below:

Rourkela	107.20	million rupees
Durgapur	84.46	million rupees
Bhilai	44.89	million rupees

The net loss of the company to the end of the previous year after making adjustment with reference to the increase in retention prices, was reduced from Rs. 400.82 million to Rs. 376.43 million. Hence the loss of the previous year together with that of the current year the total loss to the end of 31st March 1963 stands at Rs. 615.51 million. Proceeding further in their tenth annual report for the financial year ending 31st March 1964 there was a net loss of Rs. 47.90 million as compared to a net loss of Rs. 239.08 million in the previous year. The profit of the company before providing for depreciation and interest on Government loan was Rs. 450.33 million. Interest on loan amounting to Rs. 177.15 million was paid out. The amount of depreciation for the year amounted to Rs. 321.85 million. The total loss on the working of the Hindustan Steel Limited from its inception amounted to Rs. 400.04 million.

The operational results of the year 1964-65 are also not very promising as the report of the company directors discloses the fact that

the company was just "short of the break-even point". The net surplus for the year was Rs. 21.45 million. After making adjustments as pointed out by the Comptroller and Auditor General it comes to Rs. 19.616 million. The analytical distribution of the working prior to adjustments is as follows:

Bourkela	Rs. 35.02 million
Dhilai	Rs. 5.03 million
Durgapur	Rs. 5.33 million
Coal Washeries	Rs. 2.36 million
	<u>Rs. 47.45 million</u>

A loss of Rs. 26.29 million was incurred by the Fertilizer Plant reducing the figure of total profit from 47.74 to Rs. 21.45 million. The cumulative loss with prior adjustments till 31.3.1965 amounted to Rs. 774 million.

According to the Twelfth Annual Report 1965/66 the operating results were not at all satisfactory, though the directors expressed satisfaction:

"Despite the disturbances in the National Economy during and after Indo-Pakistani conflict and the rising trend of external costs mentioned in last year's report, your Directors are happy to report that the year 1965-66 also ended with a net surplus of Rs. 16.66 million."¹⁷

The same report, mentioning the share capital as Rs. 5,280 million disclosed the borrowings from government as Rs. 760 making a total amount of loan to Rs. 4,321. Assuming the share capital and loan as total investment the return was about .2 per cent per annum (not even one per

17 12th Annual Report, 1965/66, Hindustan Steel Limited, p. 7.

cent). Even if the whole amount could be invested in the fixed deposits of a bank it could earn at least 7 per cent interest.

All these statistics help to conclude that public enterprises have been suffering due to poor performance. The performance of all the three steel plants, viz., Rourkela, Durgapur and Bhilai, has been below expectations during the last 18 months. Durgapur has registered the worst performance. As the Pande Committee reported on the working of Durgapur plant, the performance of every section showed marked deterioration in 1966. The coke ovens were seriously damaged; and the production of coke oven came down to 64 per cent of the rated capacity. The working of all the by-product units, except the tar plant was "very unsatisfactory". In the steel melting shop, off-grade production was high. The output of the ingots mould foundry had gone down and at the same time the rate of rejections had gone up. The loss of the plant increased from Rs. 26 lakhs a month to over a crore of rupees per month during the financial year.

Besides huge losses incurred by all the plants there is another serious defect of ignoring the demand element and the accumulation of stocks. At Bhilai pig iron stocks on March 1, 1967 amounted to 83,000 tonnes as against 45,000 tonnes of previous year. The stocks of rolled steel aggregated 1,71,000 tonnes as against 55,000 tonnes. The accumulation of stocks due to absence of demand is a serious problem and arises due to absence of management to explore new markets and failure to adjust the production arrangements according to the needs of the

products. The measures taken by TISCO and IISCO due to slackening of demand and readjusting the rolling programmes. The Indian Iron and Steel Co. has recently taken up the production of galvanised sheets in order to utilise unused rated capacity due to a fall in the demand for structurals. The poor performance recorded at Durgapur during 1966 as the Pande Committee observed was the failure of the management in respect of many of its essential responsibilities.

Another serious factor which is responsible for the inefficient functioning of the iron and steel industry in the public sector is the high cost of production. The high cost of production is caused due to over-capitalisation of public enterprises, non-utilisation of full rated capacity of plants, excessive cost of unbalanced inventories of raw materials, semi-processed and finished products, high cost of human labour, the inter-union rivalries, absence of proper motivation of executives and employees, and lack of cooperation between workers and management. Besides these drawbacks the managerial inefficiency at the top has multiplied the cost of production considerably, consequently the labour productivity has come down. In order to reverse the situation of high cost of production, absence of profitability of public enterprises it is indispensable that the quality of executive personnel from top to bottom is to be improved. So far as the basic pre-requisites of executive efficiency, i.e., proper planning and its implementation are not guaranteed, it seems impossible to correct the ills of public enterprises. Frequently, the working of the public enterprises has been criticised in private as well as official quarters, yet adequate measures

have not been taken to improve the working.

The following indices of steel prices give a position of world prices movements:

INDICES OF STEEL PRICES
(1952 as the base year)¹⁸

Country	1952	1955		1960		1964	
	Index No.	Increase	Decrease	Increase	Decrease	Increase	Decrease
India	100	37 %		52 %		61 %	
U.S.A.	100	10 %		47 %		50 %	
Belgium	100	14 %		27 %		23 %	
W. Germany	100	2 %		14 %		20 %	
U.K.	100		- 14 %		- 12 %		- 9 %
Japan	100		- 1 %		- 13 %		- 21 %

The table shows the international movements in price levels of steel and India ranks the worst. The prices in comparison to the base year 1952 went on rising in India and in 1964 the prices went up by 61 per cent. No other country registered such a change. On the other hand the prices went down in other countries. U.K. and Japan registered downward trend in prices and for the three years viz., 1955, 1960 and 1964 the prices fell down by 14, 12 and 9 per cent respectively. The prices for Japan also registered decline of 1, 13 and 21 per cent respectively. Such reductions in international prices of steel would affect the export of Indian steel and steel products etc.

¹⁸ The table has been computed with the information supplied in Eastern Economist, Annual Number, 1960, New Delhi, p.1206.

COMPARATIVE COSTS OF STEEL PRODUCTION¹⁹

Country	Sales	Material Costs	Personnel Expenses	Interest	Depreciation
<u>INDIA</u>					
H.S.L.	100	64.6	11.1	9.6	
Tata Iron & Steel	100	48.6	17.9	1.6	
Indian Iron	100	54.2	16.9	1.8	
<u>U.S. Steel</u>	100	33.3	44.3	0.9	
<u>JAPAN</u>					
Yawata	100	61.3	14.8	7.3	
<u>West Germany</u>	100	64.3	19.3	1.7	

Comparing the cost variables of H.S.L., Ranchi with that of other enterprises in India and abroad it becomes quite evident that the iron and steel industry in the public sector is not efficient. Material costs are 64.6 per cent in case of H.S.L. while that of Tata Iron and Steel and Indian Iron are 48.6 and 54.2 per cent respectively. Secondly the interest charges are also higher for H.S.L. and the least for Tata Iron and Steel Company.

MEASURES TO INCREASE LABOUR PRODUCTIVITY

The low productivity of iron and steel industry in the public sector can be enhanced by overcoming the shortcomings in the following

19 Development and objects of the Indian Iron and Steel Industry (W. German Reconstruction and Loan Corporation) quoted in Eastern Economist Annual Number, 1960, p. 1207 - the table has been prepared avoiding depreciation charges and information for individual steel plants Rourkela, Bhilai and Durgapur has been shown as the average

areas:

1. Administrative and executive performance
2. Inter-union rivalry
3. Over-capitalisation
4. High material costs
5. Excessive working force
6. Industrial Relations
7. Executive Development Programmes
8. Workers' Education and Training Programmes
9. Wage and Salary Administration
10. Motivation of Executives and Employees
11. Suppression of Communal riots

ADMINISTRATIVE AND EXECUTIVE PERFORMANCE

The problem of low productivity of Indian labour in general and that of the iron and steel industry in particular is beyond consideration. Attempts are to be made to improve the quality of executives and administrators from the top. The appointments of executives and administrators with a permanent tenure of service would improve the quality of executive performance. The appointments of government officials as executives and administrators in the iron and steel must be avoided or they be properly trained before getting the assignment. Inefficiency and lack of experience at the top gives birth to vices and corruption at various layers of management. Even in the Soviet Union the head of the steel plant is an experienced engineer with iron-making, steel making or rolling experience, but even the director of the Severnarkhoz is a competent technical man. But the top management positions in India are filled by non-technical and often inexperienced persons. Often the positions remain vacant as in the case of Hindustan Steel Ltd., Ranchi, which is not having the General Manager since December 1967.

INTER-UNION RIVALRY

Inter-union rivalry is responsible for disturbing good relations between the unions and the management. In Bokaro and Durgapur Steel Plants, inter-union rivalry is one of the main causes of disturbed industrial relations. The recognised union, in spite of its best efforts to cooperate with management is affected considerably due to the militant attitude of the rival unions. The political influence over the unions, the absence of a strong and stable recognised union, the facility to form a union with only seven members and the permission to challenge the agreement of the recognised union with management, the illiteracy of the employees, and un-sympathetic attitude of the management towards labour problems are some of the factors that give rise to inter-union rivalry. If the employees are properly educated and trained inculcating a sense of responsibility and the managements adopt a sympathetic attitude and try to provide them adequate facilities to develop labour leadership from within the workers, the inter-union rivalry would vanish.

OVERCAPITALISATION:

Over-capitalisation may cause great harm to the efficient working of enterprises. It increases the cost of production, affects the profit earning capacity. The Hindustan Steel is a victim of over-capitalisation and the concern has to pay interest on the un-utilised financial resources. It increases the cost of production of steel and reduces the profitability. Over-capitalisation can be eliminated by expanding the rated capacities of the plants and by working the plants to their full rated capacities. Before

making expansions to the existing capacities of the plants it is essential to make sales forecasts, to develop the markets and to keep right type of inventories for raw materials, semi-processed and finished end-products.

HIGH MATERIAL COSTS

The cost of materials constitutes 60 to 75 per cent of the cost of the end product. The cost of labour is only 4 to 8 per cent of the cost of the finished product. The proper selection of the raw materials and their proper handling would reduce the costs. The high material costs in the public sector iron and steel plants in comparison to that of the Tata Iron and Steel Company at least by 6 per cent put the B.S. Limited in a disadvantageous position. If proper policies regarding the purchase of raw materials are introduced and adequate controls are maintained to check the theft and spoilage of raw materials. The high cost of raw materials are also caused due to excessive inventories of raw materials, resulting in high cost of capital in the form of interest, rent and maintenance charges. If raw materials are available in right quantities the cost can be brought down.

EXCESSIVE WORKING FORCE

The problem of excessive working force is to be solved by steel plants in the public sector. As the labour productivity of Indian steel plants is approximately 50 to 60 per cent to that of U.S. steel plants. The existing labour force by better training would result in increased

production and increased productivity. It would also create a problem of unemployment as fewer employees would be needed to do the same job. It can be overcome by expanding the existing capacities of the steel plants. The absence of well-organised labour market, the ineffectiveness of labour unions and failure to protect the employees against unemployment, poverty, sickness and other vices, the employees fail to cooperate with management in the productivity drive. As they feel that the results of productivity drive would be mere elimination of jobs, greater strain and more worries to the working class without ensuring a fair share in the fruits of increased productivity. Consequently all the efforts to increase the labour productivity prove to be futile. The solution lies in the combined efforts of the government, employers and the labour unions. The management must provide security against unemployment, a share in the results of increased productivity, government is to protect the rights of the workers and the employees in return have to endeavour to increase labour productivity. Negligence on the part of any of the three above mentioned will jeopardise the efforts to increase the labour productivity.

INDUSTRIAL RELATIONS

Nothing constructive has been done to improve the industrial relations in India. Frequent strikes, lockouts, excessive labour turnover, loss of working hours, industrial disputes and labour dis-satisfaction are some of the weaker spots of poor industrial relations. It is essential that managements must accept their full responsibility to improve the quality of industrial relations. It would need an improvement in industrial/relations

proper motivation of the employees, sympathetic attitude of the employers to deal with industrial problems. Adequate arrangements to educate and train the workers would increase their sense of responsibility. The use of job analysis and job evaluation would help the wage and salary administration to fix fair wages and salaries, minimum standards of performance and reward the employees for their additional production. The condition of industrial relations in public enterprises is not satisfactory, though the public enterprises claim to be model employers. The autocratic behaviour of management, and non-existence of healthy trade unions, the collective bargaining, labour participation in management, labour legislation to protect the rights of the employees, the wage and salary administration and the proper motivation of the executives and employees are all in infancy. To restore cordial relations between management and the employees it is desirable that good industrial relations be established in Indian public as well as private enterprises.

EXECUTIVE DEVELOPMENT PROGRAMMES

The first and foremost responsibility of the management is to develop the executives. The executive development programme as a whole has not received due recognition either by government or the industrialists of the country. Consequently the operating results of most of the enterprises have been very poor. In addition, the poor quality of executives in public enterprises is causing continuous losses due to their inefficiency, lack of experience, failure to achieve the targets, non-utilisation of full-rated capacity, defective planning and implementation,

absence of cordial industrial relations, the maintenance of imbalanced inventories of raw materials, semi-processed and finished products. If the quality of executives is improved by their proper education, training and sound experience then most of the evils of the public enterprises would vanish by themselves. The main weakness of the public enterprises is the absence of well-trained and experienced executives. It is a fallacy that men of public administration from government offices sent on deputation, would be able to run the public enterprises. It would not provide a true solution to the problem of inefficiency of public enterprises. What is desirable is the provision of permanent well trained and experienced executives. The creation of a separate Industrial Service on the pattern of Indian Administrative Service would help to overcome the difficulty of managerial personnel in the country. The development of executives must get first priority as human machinery is most expensive and needs continuous development. It is also needed to use different methods of executive development -- formal as well as informal and the investment in executive development would prove to be the best investment from the point of view of return on it.

WORKERS EDUCATION AND TRAINING PROGRAMME

Mostly the Indian labour class is unskilled and un-educated and therefore less responsible. Education helps to make better decisions and skill helps to do better and quick work. To improve the quality of employees if proper education is imparted to the employees and adequate

training facilities are provided to them then it would increase the labour productivity. The general advantages of training such as the following help to increase the labour productivity:

1. Increase in quantity of work
2. Improvement in quality of work
3. Better knowledge to understand the labour problems.
4. Less wastage of raw materials
5. Less breakage of machinery
6. Restoration of cordial relations between superiors and subordinates and between fellow workers.
7. Increasing the confidence of the employees about better performance.
8. Preparing the employees for future promotions
9. Reducing the downtime
10. Preparing the labour inventories against deaths, retirement and labour turnover
11. Reduction in the cost of production.

Though under the training scheme installed by the Government of India a number of training programmes are going on at Hindustan Steel Limited, Ranchi, and the workers are being educated in Unit Level Class and workers' teachers programme. Workers Education under the Central Board of Workers' Education, Nagpur, with its regional centres all over India. Its centres are also at Rourkela, Jamshedpur, Durgapur and Bhilai. These centres train teachers for workers. The worker teachers are deputed for 3 months subject to the recommendations of the unions, in a batch of 4 to 5 every year. Each worker teacher is given pay and an allowance of Rs. 150 for expenses. After completing the education and training at the Workers' Education Centre the teachers conduct unit level classes with 20 or 30 persons in each class. The programmes do not have much effectiveness, as no motivation is provided to the employees in terms of increase

in the pay. The teachers are not given any increase in pay after they complete the education. The employees have to attend the classes only after completing their work in the evening. As they are tired the employees do not appreciate the programme and very little success has been done to educate the employees. So far at Rourkela out of 28,000 only 1,500 employees have been covered by the programme. It seems desirable that in order to educate the employees managements should spare some time out of the working hours, at least an hour every day to educate. Moreover, first priorities be given to those who complete the education and training programmes. The workers teachers also should be given some financial incentives. In addition to these measures it is also desirable that compulsory education be provided to all the children at early stages of school going ages.

WAGE & SALARY ADMINISTRATION

Wage and salary administration is to render valuable services to compensate fair wages and salaries to the employees of the enterprises. The absence of remunerating the employees fairly gives rise to unionisation of workers, industrial disputes, strikes and even the migration of the employees from enterprise to enterprise. In India enough consideration has not been given to develop the working of wage and salary administration with its various tools like job analysis and job evaluation, job descriptions and job specifications, merit rating, the problems of wage differentials and wage criteria etc. The uniformity of wages and salaries at least firmwise if not industrywise would help to check the labour turnover.

The absence of adequate incentives both financial and non-financial in public enterprises and scales of pay often less than that of private enterprises encourage executives and employees to leave for private enterprises. The fact has been realised by Chenna Reddy who accepted to pay more than the government scales of pay to attract competent and experienced executives for iron and steel plants in the public sector where the post of the General Manager of Hindustan Steel Limited, Ranchi is lying vacant since December 1967.

MOTIVATION OF EXECUTIVES AND EMPLOYEES

The problem of motivation of employees and executives has not been given due emphasis. Though the low labour productivity, non-utilisation of rated capacity, failure to achieve the targets, high cost of production are some of the problems worrying the H.S.L. authorities as well as the government for some time. The absence of proper incentives fails to recognise the differential qualities of the executives and employees. Consequently, the employees fail to cooperate to achieve the objectives of the enterprise. So far no incentives have been given to executives and top management personnel.

COMMUNAL RIOTS

Industrial peace is most essential for the efficient working of an enterprise. The strikes, lockouts and industrial disputes affect the labour productivity. Likewise racial or communal riots inside as well as outside the plant in the city are suicidal to the working of the

enterprise. The assassination of Reverend Dr. Martin Luther King Jr., affected most of the prominent cities and industries of U.S.A. Detroit, the city of automobiles can be quoted as an example whose industrial activity was highly paralysed due to this as has been experienced in the communal disturbances of Jamshedpur, Ranchi, Rourkela, Calcutta, Meerut, Allahabad and a number of other places. It affects the labour productivity in the plants and is vicious to the economic growth. Just after the partition of the country in 1947 the country suffered huge loss as has been reported by Charles A. Myers:

"But the partition of India and the formation of Pakistan brought Hindu-Muslim riots costing a million lives and uprooting 12,000,000 people, to add to the economic problems facing the new nation."²⁰

Few months back West Bengal was a scene of chaos and the Assembly was paralysed as cited below:

"The Governor can hardly get into the House and deliver his joint address, the Speaker and his opposite number in the other Chamber disagree on the facts and the law, the Speaker and the High Court take opposing views on the legality of the present Ministry and the administration is going."²¹

Although no definite figure of loss is available but it cannot be denied that communal or linguistic disturbances are greatly responsible for lowering our productivity. The anxiety of the Steel Minister in this connection can be quoted here:

"The Steel Minister Dr. M. Chenna Reddy has started a dialogue with state governments in a bid to ensure smooth and uninterrupted working of public sector

20 Myers Charles A., "Industrial Relations In India" (Asia Publishing House, Bombay, 1958), p. 2.

21 The Economic Times, Bombay February 19, 1960, p. 4, "Tragic Picture of a Democracy."

undertakings. The feeling in New Delhi is that absence of effective action on the part of the State Governments either to save labour disputes or to maintain law and order has seriously affected production ... Undertakings under the charge of the Steel Ministry were hit harder since most of them are located in the Bengal-Bihar belt." ²²

J.R.D. Tata also expressed his feelings of concern over the situation, commenting that the politicians should realise that the supreme task before the country was economic and not political and that economic solutions of our basic problems will unite the country better and quicker than political solutions. ²³

L.R. Jha, Governor of the Reserve Bank of India, in his Shri Ram Memorial Lecture, remarked:

"The persistent inflation of price and costs has disrupted the national economy to such an extent that the task of restoring order has become an extremely complex one. Unless this task is undertaken with speed and efficiency, the achievement of a high rate of economic growth with stability will remain a distant hope." ²⁴

All the views and comments concentrate over that it is indispensable that the communal riots must be suppressed with determination.

In the foregoing analysis emphasis has been laid on the role of executives for increasing productivity with special reference to iron and steel industry in the public sector. It has been noted that the Indian iron and steel industry in general has been suffering due to low

22 The Economic Times, Bombay, "States Inaction Hits Public Sector Units", October 6, 1967, p. 1.

23 The Economic Times, Bombay, February 21, 1968, "Tata Wants Change In System of Government", p. 4.

24 The Indian Express, New Delhi, April 25, 1968, Price Policy, p. 6.

productivity. The working results of the industry in the public sector are even worse, which cannot be compared with its counterparts in the private sector of the country or abroad. In terms of return on capital investment, utilisation of rated capacity, cost of power consumed and the labour charges, the position of the public sector is not satisfactory. According to the 9th Annual Report of HSL, the company suffered a net loss of Rs. 239.08 million for the year ending 31st March, 1963. The position slightly improved in 1964 when the company suffered a net loss of Rs. 47.90 million. The operational results of the year 1964-65 showed a surplus of Rs. 21.45 million. The cumulative loss with prior adjustments till 31st March 1965 amounted to Rs. 774 million. The working results for 1965-66 showed a return of 0.2 per cent per annum, which is much lesser than even the bank rate. The private sector like TISCO and IISCO earned a profit of 11.94 per cent in 1958-59 and 10.63 per cent for 1964-65, respectively. Besides their better profitability their management showed foresight by adjusting the production schedules affected due to slackening of the demand. In contrast to these the performance of all the three plants viz., Rourkela, Durgapur and Bhilai has been below our expectations. Durgapur registered the worst performance. According to the Pando Committee Report the performance of every section of Durgapur plant showed a marked deterioration in 1966. It can be safely remarked that the public enterprises are suffering due to high cost of production, over capitalisation, non-utilisation of rated capacity, maintenance of un-balanced inventories of raw materials, semi-

processed and finished products, high cost of labour, inter-union rivalries, absence of proper motivation and above all the absence of industrial peace and labour unrest. The frequent occurrence of communal riots is an additional factor responsible for their low productivity. All the above handicaps can be greatly removed through the imagination of the executives. They can minimise many hurdles of the industry by motivating the human force.

CHAPTER - IV

SUPERVISORY AND EXECUTIVE DEVELOPMENT PROGRAMMES ANALYSED

In the previous chapter the productivity and its various variables were discussed. It was viewed that productivity of labour depends on various factors such as investment, labour efficiency, stage of mechanisation, size of the business unit, organisational structure and managerial efficiency.

The public enterprises including the iron and steel industry are suffering in general due to low productivity. As compared with the private enterprises in terms of gross profits, net profits, cost of sales, cost of production, the position of public enterprises is highly unsatisfactory. Besides, huge losses incurred by the steel plants there is another serious defect of ignoring the demand. Finally it was concluded that the problem of low productivity could be overcome by improving the quality of planning, control, industrial relations and through motivation and adequate arrangements for executive development programmes.

The purpose of this chapter is to study the methodology of executive development in industrially advanced countries like the U.K.

the U.S.A. and the U.S.S.R. so that their relevant features can be usefully applied to the executive development programmes both in public as well as the private sector of steel industry. The methodology consists of the various training programmes of executive development. Consequently the informal organisation, industrial psychology, human relations, individual and group behavioural pattern find their due share in the following pages. Let me discuss them in turn.

EXECUTIVE TRAINING METHODOLOGY

Executive development is an essential part of the expansion programmes of all the big businesses and industrial enterprises. Such programmes are meant to develop the executives for the present needs, for future vacancies caused due to promotions, retirements and executive turnover and deaths. The training of the executives is a continuous process and begins from the date an executive enters into the business and lasts till he remains in service. As the machines become obsolete and need modernisation, similarly managerial techniques change and executives are continuously trained to meet the new situations. The training needs of executives differ from enterprise to enterprise that is why big enterprises prefer their own trainees to those trained elsewhere. To meet the growing demand for trained executives, the Hindustan Steel Limited, Ranchi, sends its executives to Tata Iron and Steel Company, Jamshedpur, Administrative Staff College, Hyderabad, Institute of Management, Ahmadabad and to foreign countries. Now the

HSL is having its own training facilities at the Training Institute of Management, Ranchi. Plant-wise facilities for training the executives and the supervisors are available.

The development of executives is generally undertaken in two ways, i.e., through formal training programmes and also by means of informal methods of training.

FORMAL TRAINING METHODS

The procedure of executive development may begin with ascertaining various traits and skills as essentials for an executive, secondly ascertaining the presence or absence of such variables and developing them accordingly. The methodology and techniques include various training programmes like training within industry (TWI), Job Instruction Training (JIT), Conference Method, Lecturing, Vestibules Training, Role-playing, Seminars, Syndicates, Delegation and a number of such programmes to achieve the objectives. The effectiveness be properly evaluated and motivated. Before starting the actual training programmes for the development of executives it is essential that prospective trainees be properly recruited and selected. The well selected candidates reduce the cost of training. In western countries a scientific system has been developed to select such candidates who possess a required standard of skill, knowledge and attitude. As the executive's work is mainly decision-making, planning and its execution, it is desirable that he must have a good background of liberal education besides a thorough knowledge of

management theory, economics, statistics, accounting, finance, industrial psychology, labour problems, labour legislation, history, geography and a number of other subjects helpful for efficient executive performance. Enough money and time are spent in the United States on the selection of promising candidates for executive training.

RECRUITMENT AND SELECTION

Before starting with the executive development programme, need arises to see that who would be included in the programme? If new persons are to be recruited and selected for the purpose, a well planned procedure is needed to select the right type of persons. It would help to save high costs of training. If supervisors are to be selected for the job then it also becomes essential that proper care be given for selecting such supervisory candidates who would prove suitable for their future assignments. If careless and irresponsible recruitment and selections are made and training is imparted to such persons, the results would not be encouraging and most likely some of them would leave their training assignments, some would leave for new jobs, while others would not take any interest in their work. To overcome such situations it is indispensable that a proper recruitment and selection of candidates be made. Recruitment helps to motivate the suitable persons to apply for the positions. Recruitment gives an opportunity for selection. If appropriate measures have been taken to inform the desired type of persons through various media of publicity, it would instigate them to apply for new vacancies. Mere information would not serve any purpose, as the

prospective candidates would be least inclined if the scales of pay, working conditions, security to jobs, future prospects for advancement, labour and management relations and the reputation of the company are not satisfactory. On the contrary, employees of other concerns, university scholars and employees from within the enterprise would always be endeavouring to seek employment.

When the job of recruitment has been done satisfactorily, the department of personnel management would possess the applications of several candidates to be considered for appointments the selection of the candidates and to divide them into two classes as selected and non-selected ones. The selection of persons for executive training would become easy if the job descriptions of executives and various qualities of successful executives are kept in view. The contents of the job and qualifications of such persons can be known through job descriptions and job specifications.¹ It is difficult to prepare job descriptions of supervisors, executives and other personnel pertaining to higher echelons of management whose main work is to see that work is done through others. The main activities of an executive are covered by the elements of managing which according to Maynard are given below:²

Gather Information
Synthesize information
Plan

-
- 1 "The job description is usually written description of the operations, duties, methods, working conditions, equipment and material used, lines of authority, and other essential facts about a job or position. The job specification is a statement of the qualities or abilities that a worker must possess to perform the job in a satisfactory manner." Otis and Leukart 'Job Evaluation' (Englewood Cliffs, N.J. Prentice-Hall, Inc. 1954), p. 8.
 - 2 "Top Management Handbook", Edited By H.B. Maynard (McGraw-Hill Book Company INC, N.Y., 1960), pp. 23-24.

Decide
Organize
Communicate
Motivate
Direct
Guide or counsel
Measure, evaluate and control
Develop people
Promote innovation

Without doubt the basic or primary functions which are performed by an executive are planning, organising, decision-making, direction, control, motivation and appraisal etc. Henri Fayol, while mentioning the elements of management emphasises five main divisions viz., planning, organizing, command, coordination and control.³ Consequently the work of an executive is more of analysing, deciding and guidance. His job is more than that of a specialist who is not concerned with direction, motivation and leadership functions. Such a profile of an executive would assist in the selection of such candidates who possess the characteristics that would help the development of executive knowledge, skill and attitude. It would be helpful to see that what considerations are made in western enterprises for the selection of candidates for supervisory and executive training programmes. To begin with the executive should have an analytical mind so that with the available statistical data supplied by office and staff personnel may be analysed, interpreted and decisions may be made. Inefficient planning, hasty decisions and defective execution would imperil the growth and existence

3 "General and Industrial Management", Fayol, Henry, Sir Isaac Pitman & Sons, Ltd., London, 1954), pp. xxiii-xxiv.

of the enterprise. For efficient planning one has to be clear about the objectives, policies and programmes. Besides, the methods, the procedures and the time schedules should also be determined in advance. Planning would comprise the entire managerial techniques and its quality would depend upon the personal qualities of the executive regarding the knowledge of management theory and practice, conditions of market, production technology, labour problems, the position of international trade, practices of rival manufacturers, their future expansion and political changes, etc. The executive should also know the art of guidance and control and for that he should know to appraise the performance and effectiveness of the people of his team. The effectiveness of the entire team would depend upon the effectiveness of management. Developing team spirit among the members of the group depends upon the quality of leadership. A leading firm while selecting the executives for the training programme would trace the executive talents at an early age such as college and university educational period. Even during the early years of employment in supervisory positions the prospective leadership signs are exposed, which to a considerable extent are due to the creativeness, personality, clear communication, devotion to duty, decisiveness, impartiality, motivation, initiative, coordination, and service to his people. The leadership traits are inborn and can also be developed through executive development programme. A successful leader should be well versed in human relations and should have a clear understanding of human psychology. He should know how to motivate his

men and solve various problems of human conflict. The leader would be required to satisfy that the basic pre-requisites of the sound management exist in the enterprise. Besides the basic elements or the external elements which assist in the development programmes there are a number of internal factors. The following leadership traits would help to select the persons who would prove competent for the executive development programme:

- Willingness to lead
- Willingness and ability to guide the members of the group
- Commanding personality
- Impartiality in decision-making
- Ability to make quick decisions
- Competency in writing as well as in expression
- Ability to hold trust and confidence of the group
- Being humorous and good natured
- Knowing the business very well
- Vitality
- Poise

Robert S. Lynch, President of Atlantic Steel Company, recently told the National Conference of Industrial Clubs, "I want to underline the simple fact that mutual respect and human attitudes are fundamental to everything else."⁴ Respect is the result of recognition of complete honesty and consciousness. Commanding personality is an asset in leadership, but it is not the only characteristic required of a successful executive, as the short statured Fiorello La Guardia of 5 feet and two inches or the stiff and pedantic manner of Robert Taft are no shortcomings at all as these commanded considerable respect. The fact lies in the truth that both of them had been recognised for their honesty

4 Cerami, Charles A., "Successful Leadership" (Englewood Cliffs, N.J., Prentice Hall, INC, 1955), p. 41.

and consciousness.⁵

SELECTION OF CANDIDATES

The success of an executive depends on the conditions that how many of the required traits are possessed by him and the degree of dexterity has been accredited. When the potential candidates for executive development programme have been informed through publicity, private agencies, university placement centres, state employment exchanges, private agencies, and the employees of the very concern which needs such candidates and through all previous methods which were used to hire suitable persons for various jobs, the next step is how to select such candidates ?

To evaluate the various traits of potential candidates the services of psychologists, business consultants and professional interviewers are needed. Such people are assisted by the personnel department to know the job descriptions and the job specifications and other policy considerations about the jobs. The presence of various elements as pre-requisites for executive performance is subject to the nature of work and the size of the organisation. The managerial element would go on increasing as the size expands and the technical skill will vary in an inverse proportion. The selection personnel will be greatly assisted by going through the following:

5 Cerami, Charles A., "Successful Leadership" (Englewood Cliffs, N.J., Prentice Hall, INC, 1955), p. 41.

Relative Importance of Requisite Abilities of
Personnel in Industrial Concerns⁶

	Requisite Abilities						(In percentage)
	Managerial	Technical	Commercial	Financial	Security	Accounting	Total
One-man Business	15	40	20	10	5	10	100
Small firm	25	30	15	10	10	10	100
Minimum-sized firm	30	25	15	10	10	10	100
Large firm	40	15	15	10	10	10	100
Very large firm	50	10	10	10	10	10	100
State enterprise	60	8	8	8	8	8	100

It discloses the fact that managerial requisite in a medium-sized enterprise is expected to be 30 per cent while that in a very large firm is 50, the same element has reached the figure of 60 per cent in case of state enterprises. The idea underlying behind increased ability of managerial requisite is due to the acceptance of the fact that state enterprises to justify their existence for better service and social ends. The Indian iron and steel industry in the public sector has failed to achieve the targets hence it appears imperative to recover that the executives should possess at least sixty per cent of the managerial ability while other requisites needed are commercial, financial, accounting, security and technical. Such requisites are a clear indication that at least 84 per cent of the ability exists in managerial and

⁶ Fayol Henri, "General And Industrial Management" (Sir Isaac Pitman & Sons Ltd., London, 1954), pp. xxiii-xxiv.

commercial education while the other two variables, i.e., technical and security consist of 16 per cent of the total ability requisites. The combination of commerce and management education would help to prepare a good background for executive training. In the United States most of the corporations select the M.B.A. students for further training. University education in the States as well as in any other industrially advanced country of western Europe does not produce a finished product to shoulder the responsibility of managing the business or industrial enterprise, but the qualified candidates undergo a training programme planned to the specific needs of each enterprise.

Regarding the position of specialists the ability requisites of persons differ from that of the executives and managerial personnel. The former needs more technical knowledge. The following table would help to exhibit the ability requisites needed for technical personnel.

Even the technical personnel of an enterprise are required certain requisite abilities of management, commerce, finance, security and accounting. The relative importance or weightage of such variables indicate that the technical personnel working as heads of units possess considerable managerial and technical requisite abilities are given as 30 and 30. The manager of the technical function of a large concern possesses as much as 40 per cent. The table indicates clearly that the general manager of state enterprise should possess 50 per cent of managerial ability while the minister and the head of the state

Relative Importance Requisite Abilities of Personnel In
Industrial Concerns. Personnel of the Technical
Functions of A Large Concern⁷

Class of Employee	Requisite Abilities			
	Managerial %	Technical %	Excess over the Managerial %	Excess over the Technical %
<u>Large Establishment</u>				
Workman	5	85	80	-
Foreman	15	60	50	-
Superintendent	25	45	20	-
Head of Section	30	30	-	-
Head of Technical Department	35	30	-	5
Manager	40	15	-	25
<u>Several Establishments</u>				
General Manager	50	10	-	40
<u>State Enterprise</u>				
Minister	50	10	-	40
Head of State	60	8	-	52

should have 50 and 60 per cent respectively. Generally the knowledge of other variables such as commercial, financial, security and accounting, the weightage is equal. The presence of pre-requisite variables for the selection of candidates for executive positions is a healthy sign for better results. It is also possible that candidates may be selected from such disciplines like arts, science and engineering who have not

⁷ The table has been computed with the help of information supplied by Fayol Henri, "General And Industrial Management", p. 8. The variables for commerce, finance, security and accounting with very minor variations are equal.

been provided adequate theoretical background of subjects like management theory, commerce, business policy, finance, accounting, mercantile law, business statistics, economics etc., such subjects may be included in the training programme. It cannot be denied that earlier results would be decidedly better of those candidates who possessed the pre-requisites of executive abilities.

After knowing various requisite abilities indispensable for an executive, the fact should not be ignored that a substantial amount of liberal education is essential for an executive as this develops his thinking capacity and tends to promote creative imagination, synthesizing and de-synthesizing abilities helpful for decision-making. The problem of requisite abilities of executives and other management personnel at higher echelons of authority like chief executives, directors and presidents etc., have caught the attention of researchers, who are interested to know the subjects needed for the executive success. In 1935 Methods Engineering Council (MEC) in the United States tried to find out the working habits of executives and for the purpose a sampling system was used. The number of presidents fixed for the purpose was fifty. M.E.C. disclosed that 76 per cent of its presidents possessed college degrees, and all except 8 per cent had some college level training. Twenty-two per cent of the group held master's degrees or its equivalent. Another survey was conducted in 1962 by "Fortune" and portions of which were used by Horrymen Maurer in an article entitled, "Who Are the Executives?" The survey covered 350 biggest industrial

corporations and the number of executives included in the study was 900. In 1957 a survey was conducted by the American Management Association to know what the "typical president is like?" It was a substantial work covering 335 presidents of concerns of all sizes according to sales ranging between one million dollars and one billion dollar, per year. The survey showed that only 2 out of 41 younger presidents did not have at least some college education. The presidents of AMA advised to develop the habits of effective thinking in every area. The University of Minnesota spent considerable time to know the time schedules of an executive so that the exact weightage may be given to each function and its training. The following information is relevant in that relation:

Executive Load of An Executive 47 Hours Per Week⁸

Function	Hours	Percentage
Planning	9	19.4
Supervising	12	25.5
Coordinating	7	14.8
Evaluation	6	12.7
Investigation	5	10.6
Negotiation	5	10.6
Staffing	2	4.2
Representing	1	2.1
	47	100.00

The table while disclosing the important functions of an executive priority-wise, divides them into two important categories, i.e., primary and secondary or executive and routine functions. The

⁸ The percentage-wise distribution of time of an executive has been calculated by the author of the thesis from the information: Carpenter Gray L., "The President's Job", article quoted from "Top Management Handbook", Edited by H.B. Maynard, McGraw-Hill Book Company, Inc., N.Y., 1960, p. 171.

primary functions that consume 72.4 per cent of the time are planning, supervising, coordination, evaluation. The less important or routine functions cover investigation, negotiation, staffing and representation. Another important fact which is revealed here is the vitality of the executive to work at least 47 hours per week. A healthy and energetic executive would be able to bear the burden of heavy responsibilities during the abnormal times. A sick and old executive, very often would not be able to give so much time and energy as are needed to make a quick and speedy decision, its execution and careful follow-on.

SELECTION TECHNIQUES

- i. Questionnaires or application blanks
- ii. Aptitude Tests
- iii. Interview

QUESTIONNAIRE:

The method of questionnaires or application blanks need to get the desired information about the abilities of candidates is an old method and without doubt is used by all the business concerns for selection purposes. The differences may occur in the contents of the questionnaires, the degree of emphasis laid to various sorts of information like education, experience, marital status, association with organisations -- socio-economic and political history etc. The application blanks are used to satisfy the requirements of job specifications and the experts in the fields of education, industrial psychology, operational skill and liberal education would evaluate the

application blanks to screen out the candidates for rejection and acceptance for further selection procedure. The use of questionnaires and the information obtained through such a medium is not a guarantee for the success of the selection through the performance of such selected candidates. It is a link of the procedure that is used for selection through the performance of such selected candidates. It is a link of the procedure that is used for selection purposes. The candidates who have crossed the hurdles of application blanks have to face the psychological tests.

PSYCHOLOGICAL TESTS

Even the best qualified persons regarding the achievements of educational standards may fail socially and psychologically. Their behaviour is day-to-day activities with their fellow workers towards the senior officers and their attitudes towards their subordinates may be undesirable and objectionable. This would be contrary to ensuring healthy working atmosphere and team-spirit. No employer would like to accept a trouble maker, consequently, before such problem arises, the managements lay great emphasis that such behavioural patterns may be detected before the candidates are issued appointments letters. Such tests disclose the behavioural pattern of the candidates and help the management to understand their personal traits. Some situations are created for and the candidates are asked to provide suitable solutions to the problems. The subject matter of such tests covers a wide field of various requisite abilities like the vocational interests, mental

ability and aptitude, personality and temperament and attitudes. The Employees Relations Division of the National Association of Manufacturers, U.S.A. divides psychology tests into five categories: aptitude, trade or achievement (performance) personality and temperament and vocational interest. A detailed classification has been made by the Fourth Mental Measurements Year Book⁹ and covers character and personality, English, fine arts, foreign languages, intelligence, mathematics, reading, science, sensory-motor, social studies and vocations, with an unclassified list of miscellaneous tests. Intelligence tests are conducted to appraise the intelligence quotient or percentile rank in a specified population. Aptitude tests or interests tests disclose the subject of interest of a person and the area of performance where he may be associated for better results.

INTERVIEWS:

When the two previous hurdles of application blanks and psychological tests have been appraised, the successful candidates are required to present themselves for interviews. Interviews play most dominating role in extracting valuable information about the candidates. Such information is related to the personality of the candidate, his capacity to grasp the problem and intricacy of the situation, ability to express his views, state of confidence and nervousness, capacity to face the interviewers and the quality of answers relating to various acts of

⁹ Yoder Dale, "Personnel Management and Industrial Relations" (Englewood Cliffs, N.J., Prentice-Hall, INC. 1959), p. 251.

executive responsibility. Interviews detect the weak and strong points of the candidates and accordingly make recommendations for selection or otherwise and the training needs of the candidates accordingly. The success of interviewing techniques depends upon the ability of the interviewers to arrange the interview. It should be noted that a successful interview cannot be held in a hurry, on the contrary it should not be too long, otherwise it would be monotonous.

Certain precautions be made to ensure the effectiveness of interviewing such precautions are based on the differences of human beings and therefore adequate provision be made for such differences so that the final appraisal or evaluation of the candidates may not be misleading. The personal aptitudes and special abilities and the proportionate relation of various pre-requisite abilities, both inherent and derived, differs from man to man, inclusive of the interviewees as well as the interviewers. Consequently, the too strict evaluation of certain qualities of one interviewer and the appraisal of the same qualities of another candidate falling in a different group and being evaluated by another interviewer too results of the two candidates due to merely a chance variable, as such, care be made that the personal qualities and qualifications of the interviewers do not vary much. Moreover, the prejudice or biased interviewers be excluded. If there is a wide difference of opinion regarding a candidate's evaluation, then it is necessary that further attempts be made to get a clear idea about the candidate. Without doubt, an interview, if conducted in a well planned

and carefully thought out, with proper counselling of the interviewers, would render useful results in the selection of candidates for executive training.

Regarding the interviewing of the candidates for executive selection it is obvious that a job description of the executive position would help the interviewers to ask the questions and evaluate the quality of the replies of the candidates. It would be helpful to the interviewers to plan the questions covering the various subjects regarding the job descriptions and other allied requisites helpful for selection. A widely used patterned interview has been developed by Fear and Jordon¹⁰ and covers seven specific areas with further subdivisions. The main divisions have been reproduced as follows:

1. Previous experience
2. Training
3. Manner and appearance
4. Sociability (teamwork)
5. Emotional stability
6. Maturity
7. Leadership capacity

Wonderlic¹¹ has developed a form which covers four types of information:

1. Work history
2. Family history
3. Social history
4. Personal history

10 Tiffin Joseph and Ernest J. McCormick, "Industrial Psychology" (Asia Publishing House, Bombay, 1952), p. 54, quoted from R.A. Fear and Jordon, "Employee Evaluation Manual for Interviewers" (New York, Psychological Corporation, 1943).

11 C.I. Hovland and E.V. Wonderlic, "Prediction of Success from a Standardized Interview", Journal of Applied Psychology, 1939, pp. 23, 537-546.

The practice of recruitment and selection has not been developed in India so far on modern lines and both the public and private sector enterprises do not use aptitude tests and psychological tests while selecting the candidates for employment. This leads to the poor quality of trainees selected for executive development programmes. The application blanks to be filled by the candidates applying for jobs are also of elementary type and fail to get the information desired for knowing requisite abilities of personnel. The application blanks of Hindustan Steel Limited, Ranchi, have been given in Appendix 1.

METHODOLOGY OF EXECUTIVE DEVELOPMENT

The training methodology can be divided into two parts, i.e., formal methods and informal methods.

Formal Training: A formal method of executive development is a pre-planned method with specific objectives to be achieved through definite time schedules. The purpose of the training is to impart knowledge of specific subjects in planned sequence and order. Though there are several methods of imparting training to executives and business enterprises are apt to use any of them or more according to their needs, financial resources and the availability of trainers. Most commonly used methods are as follows:

1. Lecture method
2. Conference and syndicate
3. Group discussions
4. Seminars
5. Case method
6. Apprenticeship
7. Visual aid - television and films

8. Bulletins, memos and manuals
9. Role playing
10. Training within industry (TWI)
11. Delegation and decentralisation
12. Cost analysis and budgetary control

LECTURE METHOD

The lecture method of imparting training to executives and supervisory personnel is most commonly used. The effectiveness of systems used to select the candidates for the training depends upon the availability of material and resources and the quality of trainers.

Under the lecture method of training the trainer has to lecture to the group of trainees. The trainees try to grasp the lecture and ask the questions wherever the subject is not clear. However, carefully prepared the lecture may be, its effectiveness is limited, as all the faculties of the trainees are not involved by lecture method. For involving the attention of the trainees, the power of each of the five senses is as follows:

The Effectiveness of the Senses¹²

<u>Sense</u>	<u>Percentage</u>
Sight	87.0
Hearing	7.0
Smell	3.5
Touch	1.5
Taste	1.0
Total ...	100.0

12 Hess Kenneth B., "How to develop successful salesman" (McGraw-Hill Book Company INC. New York, 1957), p. 167.

The attention-getting power of sight is nearly nine times that of all the other factors combined. Moreover, the capacity of people to retain the matter is as cited below:

10 per cent of what they hear
35 per cent of what they see
65 per cent of what they see and hear¹³

The subject matter covered by the trainer for lecturing depends on the need and areas of management. A training programme carried on by one enterprise may be of no use or little use for another concern. Hence it is important that the subjects covered for imparting training must meet the needs of the trainees. The programme would consist fifteen groups of subjects which are as follows:¹⁴

1. Psychology of the worker
2. Modern industrial organisation
3. Cost accounting
4. Government regulations
5. Modern labour movements
6. Labour law
7. Collective bargaining
8. Scientific research programs
9. Economic philosophies
10. Personal practices
11. Public administration
12. Federal and local taxation
13. International politics
14. Marketing
15. Purchasing

The trainer while delivering the lecture has no control over the trainees regarding the reception of the matter. The degree of

13 Hass Kenneth B., "How to develop successful salesmen", McGraw-Hill Book Company INC. New York, 1957, p. 168.

14 "Frontiers Personnel Administration" A Columbia Industrial Report. (Columbia University, New York, N.Y., 1952), p. 30.

attentiveness and capacity to grasp the subject depends upon the nature of the group of the trainees, i.e., homogeneous or heterogeneous. If the group is of a homogeneous-type that is with more or less similar basic requisites then the effectiveness of the lecture would be comparatively more contrary to the group of a heterogeneous type. Further, if the trainers happen to be merely theoretical persons and are not aware of the recent changes and requirements of industry, then the training would lose its due effectiveness. Lecturing method is very simple and economical and if properly administered, it renders useful service.

CONFERENCE METHOD

The conference method is very popular to get expert knowledge about the subject to be discussed in the conference by invitees, consisting of various delegates from various business concerns and government departments, national and international, subject to the nature of the conference. Usually the dates and subjects are notified in advance so that the participants may get ample time to search for the desired information for writing excellent papers. The organisations and institutions which hold the conferences annually select the burning problems with which the industries are being confronted. The conference method if well planned, organised and controlled then it would render useful service.

The effectiveness of conference as a means to executive

development depends on the background of the trainees. If the trainees do not possess a rich background of the subject to be discussed at the conference and do not have certain specific problems to be solved the conference would not be a success, as the basic requisites of a training programme, i.e., tell, teach, demonstrate and follow-on must have been done well in advance. The participants must be intelligent and fair-minded people. The discussion of the conference must proceed according to definite plan and the president or the chairman must maintain the discussion in a logical direction. Nicely arranged, effectively organised and controlled conference would succeed in achieving its objectives.

In American terminology the word 'conference' is also used in the usual way, however, there is a different usage too. The latter means the discussion between two persons: the officer and the subordinate. There may be conference over any issue. It may be a conflict, grievance, difficulty, and the reprimand then the officer would ask the subordinate to have a conference with him where the entire problem would be discussed and a satisfactory solution be found out. Hence in a conference whatever its usage may be the working is the same, i.e.

- 1) The discussion of the problem
- 2) Expression of the views of the members
- 3) Acceptance of a common generalised statement of the problem

According to John Dewey five steps have been discussed in

reflective thinking:¹⁶

1. Perplexity, confusion or doubt
2. A rapid, tentative appraisal of the whole situation
3. A careful, systematic examination or analysis of the factors in the situation
4. Development of a tentative hypothesis
5. Test of the theory or plan in action

Conference method is time consuming and cannot work when quick decisions are needed. It would fail on account of poor leadership, inadequacy of preparation, absence of a well-defined purpose, defective physical arrangements and non-availability of discussion outline and agenda.

SYNDICATE METHOD

It is an improvement over the conference method. Under this system the group of trainees ranging between twenty and forty is assigned a particular course which is to be covered with the specific period say three months. The group is divided into smaller units of eight or so. The problem is discussed among the group members with different explanations, suggestions and criticism, thereby reaching a well accepted statement of the problem. Various solutions of the problem are sought for and after careful scrutiny the best possible solution under the circumstances is selected. Various groups may have their specific

16 Bush Henry M., "Conference Method of Industry" (Harper and Brothers Publishers, 1949). Quoted in Yoder Dale's "Personnel Management and Industrial Relations", (Englewood Cliffs, N.J., Prentice Hall, INC, 1959), 297.

solutions which may be tested by the general group. Such a procedure provides ample opportunity for finalising the problem, its analysis, interpretation, decision-making and evaluating the worth of the proposition. During the course of discussion the moderators give their remarks and put questions wherever necessary so that the trainees may understand the situation, its intricacies and may contribute some suggestions which would be tested over there, if found suitable, the trainees would be commended, otherwise, they would get a corrective explanation, thereby they would get better counselling.

GROUP DISCUSSION

It is also based on lecturing technique. A group of trainees is assigned a problem much in advance together with necessary references of books to be consulted. The group prepares a paper for discussion. The leader of the group discusses the problem and the rest of the trainees can contribute some ideas during the course of discussion which is controlled by the leader of the class, i.e., the instructor or the professor, whose role for some time is passive and most of the discussion is done by the trainees. The purpose of such passive attitude, on the part of the instructor is to inculcate confidence and ability in the trainees to handle the problem independently. The teacher assists in discussion only at a controversial point when its further continuation is put into danger. If planned well and effectively controlled, the group discussion would help the trainees to make quick decisions. The homogeneity of the group will be less effective than the

heterogeneous pattern consisting of most efficient, aged and experienced persons.

The discussion should be conducted in a lively and congenial atmosphere so that the trainees may feel at-home to make the best possible use of the existing opportunities. There should not be any mental and physical disturbance at the place where the discussion is going on. Though the discussion should remain group-oriented yet it should not be indifferent as the individual interest contributes to group motivation. Often the personal prejudices and biases of the group leader control the effectiveness of the group. Enough consideration be made that the belief-systems of the leader are not hampering the smooth functioning of the group and that a controlled orientation is feared to operate. It would crush the original thinking and decision-making ability of the trainees as they would be compelled to listen, follow and adhere to the same pattern of functioning as that of the leader of the group. It may work in two different ways. Firstly, if the leader happens to be an efficient, creative and well-experienced person, the trainees would be lucky to follow the foot-steps of the leader. Though the controlled group would get the least opportunity to deviate from the controlled thinking, hence the chances of searching the improved methods of performance would be rare. On the contrary if the leader happens to be comparatively less experienced and a mediocre administrator, then it would be a great deterrent to executive development. To check the situation is to have experienced and competent persons

to work as leaders of the discussion groups.

SEMINARS

In all the industrially advanced countries, seminars are used to develop the executive performance. The word 'Seminar' has got two usages. The first is being used as to collect the necessary information to deal with any problem. The trainees would be required to attend a seminar for a period between three to six months to learn the research technology, preparation of the bibliography and the handling of book references. Being familiar with the proper methodology of research a trainee would be able to deal with the problem with reasonable speed and accuracy which can only be guaranteed after considerable practice.

The second interpretation of a seminar is the most usual one, i.e., holding of a conference on national or international scale. The purpose of holding a seminar is pre-determined and the ways such objectives would be achieved are well planned and organised. The names of the participants, their due assignments are made public much earlier. The seminar can be differentiated from a conference on the basis that the latter is more of a specialised nature and that every business to be conducted is thoroughly explained, well criticised, resulting in a well-approved statement of the possible solution. In doing so the trainees while attending the seminar get the opportunity of having the pros and cons of the entire business transacted. It helps to develop their imagination and decision-making ability. To increase the

that he must work out various alternative solutions with their effectiveness and financial implications. He has to use his own experience and judgment to choose one best solution which must be supported by information, and factual data available in the case.

A case is a statement of real situation of a business which is facing a number of problems, inviting immediate consideration of the management, i.e., the problem of heavy turnover of employees, wastage of raw materials and machine breaking, pricing, channels of distribution, administrative cost, inventories of raw materials and manufactured goods, deteriorating union and management relations and several other problems relating to direction and coordination, control and executive personnel and even such problems may relate to planning and organisation etc. Cases cover the entire field of business. About two decades back the case files of "The Graduate School of Business Administration, Harvard University, comprised over 20,000 of more than 4,000 different companies of all sizes and different standing. The distribution of the material can be judged from the following list:¹⁷

Accounting and Auditing	...	...	3,300
Administrative Policy	...	...	500
Economics	...	...	600
Elements of Administration	...	...	400
Finance and Financial Institutions	...	...	2,100
Foreign trade	...	...	800
Government and Law	...	...	1,200

17 Harvard University, "Education For Business Responsibility", George F. Baker Foundation, p. 10.

Industrial purchasing	...	...	400
Labor, Human Relations and Personnel	...	...	1,000
Marketing, Sales Advertising and Retailing			4,200
National Defence	...	...	1,100
Production and Manufacturing	...	...	1,700
Public utilities and Transportation		...	2,000
Statistics	...	...	1,800
Total	...	...	<u>21,100</u>

To get a real case from a business enterprise is a matter of mutual understanding between the Harvard University and the business concern, which mostly depends upon the fact that the former uses the case for mainly research purposes and that to protect the position of the individual business concern often changes are made in the names, location, products of the specific enterprise so that their identities may not be disclosed while the basic relationships are retained.

The quality of effectiveness of a case study depends upon the quality of the cases which are given to the students for analysis and discussion. If the case has been prepared with great care and skill, comprising all the relevant factual data an executive would like to know, then certainly it would serve its purpose. When a case has been prepared it is given to the trainee who makes his own appraisal of the whole situation and with the assistance of the given factual data in the case he uses his own judgment in finding out a solution to the problem. A case helps to develop the imagination and understanding of the trainee as no solution is given in the case, except a few questions.

When a solution has been found the instructor on the basis of his wide knowledge and great experience explains why such a decision was justified. The unique feature of the case is that the trainees are given guidance and not the answer. To get the right reply or solution of the problem the trainee has to work hard to establish the problem and then to select the best possible solution out of the whole possible solutions. The more the cases are assigned to the trainees the better they are equipped to deal with business problems and situations.

A case system is often criticised and its effectiveness is often challenged. Without doubt, the effectiveness of the system is well accepted and the criticism and allegations levied against the case methodology are due to bias, ignorance and mis-use. The effectiveness of case method is well appreciated in law, medicine, social work and psychiatry etc. Such cases are used upto a certain extent and beyond that point their effectiveness also can be criticised. Regarding the industrial cases the fact cannot be discarded that "work situations" and "business conditions" are dynamic hence the same case can be good as well ineffective subject to different conditions. The second important charge against the case method is regarding its ability to assist in decision-making when various modern techniques like computers, cybernetics, electronics and other mechanical devices for decision-making, are being used. In no way the change or technology can reduce the importance of case method, as the contribution of administrators and engineers has got an upper hand and the factual data cannot be changed.

APPRENTICESHIP

It is also an effective method of developing skill of the trainee. The trainee or the apprentice may be required to undergo a training period ranging from one to two years. The officer in charge of the apprentice to a considerable extent is responsible for the success of the trainee. Apprenticeship training, being job-oriented is useful to meet the immediate needs of the job at a comparatively low cost. Being concentrated to the job its range of operation is limited as it fails to broaden the general outlook and knowledge of the apprentice.

The development is subject to the abilities of the trainer or officer in charge. Regarding the executive development the apprenticeship training cannot render any substantial good as there is nothing like routine work that may be learned through it. The apprenticeship training may prove helpful to impart knowledge of a routine nature and to understand the working procedures in early stage. So far as the complex work of an executive is concerned, other methods may prove to be more helpful.

VISUAL AID : FILMS

Visual aid method of developing executives is being practised in U.K., U.S.A. and other industrially advanced countries. As mentioned previously the lecture method has got its limitations. The effectiveness of hearing in relation to the retaining capacity is nearly 10 per cent and nearly 35 per cent of what they see. When hearing and seeing are

combined together the effectiveness is increased to 65 per cent. Television and films are being used as a means of developing executives and supervisory personnel. The Education Department of the Government of the United States and other private organisations like the McGraw-Hill Book Company INC and the National Broadcasting Company are rendering valuable services for the cause of developing the executives. Every film is based on a specific problem of management. It would facilitate the trainees to have a problem of their choice. After seeing the film the trainees are asked to comment on the film. This gives an opportunity to the trainees to use their previous education and knowledge of management principles. If the trainee agrees with the decision and solution of problem exposed in the film, he gives his opinion with factual data, if he opposes the decision then he has to defend his opinion with the help of his written reports about the film. The instructor has to evaluate his performance and if necessary instructs him accordingly. As the films are prepared with the assistance of business consultants, industrial psychologists, executives and professors of industrial management, they are decidedly a great contribution towards the executive development. The film is a means to impart knowledge at a fast speed and with the advantage that the trainee begins to realize that he is a part of the whole situation and such involvement increases its effectiveness and helps to develop the thinking and imagination of the trainees.

BULLETINS, MEMOS & MANUALS

Such materials are of great use to the executives. Bulletins,

memos and manuals are published fortnightly, quarterly, half-yearly and yearly and are sent to the executives concerned so that they may be well-informed and their decisions may be most appropriate under the circumstances.

Regarding the iron and steel industry the documents may contain the relevant information about the industry or industrial enterprise, the number of employees process-wise and production of iron and steel per man, the stage of mechanisation, production of steel or coal month-wise, cost of production, the size of furnaces: open hearth, blast furnaces or bessemer converters, etc. Besides the technical information, the manuals may contain information about the employees, i.e., fringe benefits and revision in wage and salary scales and other matters important to the employees. Through the bulletins, memos and manuals the management endeavours to educate its employees about the business philosophy and economic history of the enterprise so that they may be able to forecast the future projection of the business and may know the details about company affairs, the introduction of new production, the performance of capable executives, the goodwill of the concern, the share of the market and the liking of the products by the consumers.

The advantages of such materials can be mentioned as follows:

1. The executives get up-to-date information about company products, addition of a new product or elimination of any item.

2. It helps to increase the proficiency of the executives.
3. It increases their stock of knowledge.
4. It shows the trend of business, and makes the executives alert to meet the situation.
5. It helps to warn the weak executives to increase their efficiency.
6. The reports commend the better executives and the distribution of prizes and additional allowances or travel grants increase their prestige and motivate other executives to prepare for the same.
7. The capable and efficient executives are respected in their own family and this acts as a stimulus for better performance.
8. It keeps the executives well informed at a reduced cost.

WHY EXECUTIVES DO NOT WANT TO READ THEM?

1. Too many bulletins, memos and manuals are written and the executives do not have time to go through them.
2. They are written for one level of intelligence so that it is too detailed for some or too childish for others.
3. If the bulletins, memos and manuals are written by the lower level of management then the executives know it and do not give any attention or importance to them.
4. The executives think that they know much more than the contents of the bulletins, as the information is collected through their discussion or problems.

5. Frequently such literature becomes too much unrealistic.
6. They ask executives/work harder, though already they feel over-worked.^{to}
7. Executives like to think and to do things in their own way and resent to memorise printed matter.

ROLE PLAYING

Role-playing has been frequently used to train the foremen and supervisors. The phrase 'role-playing' is used in the training of supervisory personnel on the ground that the trainee has to act or play the role of a person in a typical situation. The success of the trainee depends upon the quality of his acting in the game. Thus actual involvement in the situation is ensured in 'role playing'. It is highly interesting as the person playing the role pretends to be in the actual position of the person and his performance is evaluated by the experts disclosing the weaknesses to be corrected and strong points to be commended. It is corrective, as well as instructive. The usual procedure of role-playing is selection of a particular situation like the sale of an automobile to a customer outside the area of operation and the problem of commission demanded by two different salesmen justifying their claims on the ground of actual transaction by one and the area of operation by the other. Presentation of such a case by two persons playing the role of salesmen and the third person acting as a salesmanager and making the decision about the problem. Similarly there can be several problems dealing with pricing, marketing, organisation, union and management

relations, setting a grievance or any other problem of industrial management.

Before assigning a role to each person a case is selected. Its main problems are ascertained. The persons are selected to play the roles. Besides the trainees playing the roles, other persons participate for evaluating the performance. The chairman or the leader of the performance, at the end, summarises the comments and gives his concluding remarks.

TRAINING WITHIN INDUSTRY (TWI)

Training within industry (TWI) is a prominent method of executive development. It is also known as Job Instruction Training (JIT). The chief characteristics of such a programme are that it is purpose-oriented and provides a quick means of evaluating its effectiveness. The training is provided according to the needs of the enterprise. It can be imparted in the least possible time/^{and} financial implications. At a time when there is a great dearth of executives and supervisory personnel, it is advisable to use the TWI method. In a general programme of training for executive development the coverage of subjects to be taught is a broad one, both liberal and specialisation and the area of operation regarding the activities of the business enterprise is also considerably large. It is obvious that it would widen the general outlook of the trainees and would enrich their experience to solve diversified problems, consequently it would need more time and

money. Such a method of executive development is needed to meet the distant need of the enterprise. To the contrary, when executive personnel are needed to meet the immediate needs the general training techniques or more formal methods are not preferred to TWI methodology. The TWI lays main stress on preparing the personnel to fill the existing vacancies. The trainees are kept in touch with the business and industry and learn that expected of them for the existing jobs as well as for promotions. The training methodology of TWI will depend mostly on the availability of financial resources and technical know-how. It may be a separate training institute of the enterprise or it may be training on the job.

The TWI provides for best practices in a simplified way. It begins with preparation of a "programme development card". It covers four steps:

1. To spot the problem.
2. To develop a specific plan to deal with the problem -- the trainees contents of training, the trainees, time and place.
3. To execute the plan.
4. To check the results.

Each course is divided into four parts, i.e., preparation, presentation, performance and follow on. The instructor assists the trainees by observation and criticism about the performance. The employee is shown how the work is done with an emphasis on the key points.

The personnel in charge of imparting training may be the professional instructors. Besides professional instructors, training can

also be instructed by administrative personnel and heads of various departments. Such training would be comparatively more pragmatic designed to meet the actual needs of the industrial concern. The employees of the enterprise would learn the actual procedure and techniques and would also undergo the orientation programmes arranged for improvements and innovations.

DELEGATION & DECENTRALISATION

In both the cases certain variables are indispensable and work as pre-requisites to a right decision. The delegated assignment is of a temporary nature as it is not a part of the job descriptions. If the business expands and the executive gets a heavy rush of business, consequently he would not be able to complete the work in time, moreover, the quality of performance would also suffer. The person in charge would also suffer. The person in charge would find it convenient that some of his work may be delegated to his subordinate so that he may feel relieved of the excessive work. From the point of view of an effective administrative organisation it is essential that "the administrative organisation of the corporation would be capable at all times of dealing with developing situations in a quick and decisive manner."¹⁸ Before delegation it is necessary to see that the delegatee is competent enough for the new assignment and enough training has been given to him. If the person has been delegated work with enough instructions and guidance and the officer takes pains in watching, instructing and

¹⁸ Morrison Herbert, Smallpiece Basil, etc., "Vitality In Administration" (George Allen & Unwin Ltd., London, 1957), p. 18.

following-on the trainee, much improvement can be done.

In public enterprises in India there is an absence of delegation. It is due to the fact that most of the executives in public enterprises are government officials, lacking in business and industrial experience. They are comparatively less interested in the training and development of their subordinates. Unwillingness to delegate on the part of the officers and absence of interest to accept delegated assignment by the subordinates due to their inefficiency are the main hurdles. Where the officers are willing to delegate a part of their work to their subordinates, but the fear that the subordinates will spoil the work for which they (officers) will be responsible and accountable to the minister concerned and the parliament, they hesitate to delegate. The frequent transfers of government servants from enterprise to enterprise keep them busy in understanding the details and problems of the undertakings and by the time they have a working knowledge and experience about their assignment they are transferred to other enterprises. Thus they fail to utilise their experience and skill for themselves as well as for the enterprise. Government officials of higher echelons like S.S. Khare are in favour of delegation and speak of as follows:

"In all managements, higher and lower and middle, as in all administrations, right from the top to the bottom, whether it is a government or a private enterprise, one finds that there is a readiness to agree in principle that the method of delegated working is the best." ¹⁹

19 Khare S.S., "Government In Business" (Asia Publishing House, Bombay, 1963), p. 308.

From top to bottom all sorts of managements complain that there is lack of delegation. The boards of directors complain of the government for not giving adequate powers. The managing directors complain of the boards of directors for not passing enough authority and responsibility to their lower levels of authority and so on. Absence of delegation or hesitation to delegate on the part of officers will not help to train and develop the subordinates for future promotions and better efficiency.

Decentralisation:

In early stage of an enterprise, usually, the decisions -- both operative and managerial, are made at the centre. Later on, due to expanding size and vastness of management hierarchies, the centralised authority is not in a position to have a correct view of the situation, hence, the quality of decision to be made by the line executive would suffer. The centralised authority may resort to decentralisation. It results in the delegation of responsibility and authority which helps the development of the executives. When a function has been decentralised the subordinate would get the opportunity to understand the problem and with the help of the available information would make a decision with great care and efficiency. Decentralisation through delegation of authority and responsibility provides a training for decision-making. Gradually the subordinates would become competent to work as a line executive and the quality of his work would improve.

In American industry the usual practice is to have a strong and competent leadership at the corporate headquarters as well as the responsibility and authority, both operational and managerial have been highly decentralised. In spite of the autocratic behaviour of the line executives at the top, the growth of the organization, the regional administration, the residual administrative responsibility and authority will enforce decentralisation. If such forces are not met accordingly, the growth of the organisation would be stopped and the company morale is likely to deteriorate.

A wrong decision to decentralise, in the absence of well-trained executives to bear the necessary responsibility, would be harmful to the overall success of the enterprise. Hence, it is essential that the senior executives should prepare the executives of lower levels by giving them light assignments by granting them ample opportunity and adequate resources at their disposal so that they may make necessary decisions to deal with the problems. Frequently such junior executives be asked to participate in discussions dealing with policy matters. Such discussions would develop their imagination, ability to select the best out of a number of alternatives and a chance to correct themselves whenever making a wrong or undesirable decision.

"Such decentralisation of decision making unburdens the manager of a myriad of essentially non-managerial decisions that otherwise would be pushed his way. He no longer tends to be run by his job, but can get on top of it and run it instead. And he can devote his time to

the significant things that a manager should do, including the job of seeing that the organisation structure -- is to all its components and jobs and relationships -- as consciously designed to decentralize maximum feasible decision making to each of the individuals who do the organisation work."²⁰

From the above statement the fact becomes obvious that delegation reduces the burden of the senior executives, leaving enough time for important work, secondly the subordinates to whom such assignments are given, get an opportunity to develop themselves for jobs of higher talent and responsibility.

COST ANALYSIS AND BUDGETARY CONTROL

Executive development through cost analysis and budgetary control is well accepted device. The executives by being able to study the financial statements and cost analysis relating to each process and operation of a product or service find out the working results. By comparing the items of income and expenditure over a considerable period of time, they succeed in finding out the trends in cost analysis and if any process or operation is consuming more materials or costs they would take corrective measures. The cost analysis helps to provide a clear outlook of expenses on various processes and operations and graphic representation of each expenditure would show the expenditure behaviour

20 Smiddy Harold F., Vice President General Electric Company, New York, New York, p. 277 (Top Management Handbook), Edited by H.B. Maynard, New York, 1960, McGraw-Hill Book Company, INC.

of any item of expenditure would divert the attention of the executive, to probe into the matter to find out the reasons for such deviation and to make necessary adjustments various controls are made to ensure the expenditure on various items in a pre-determined way. To achieve the objective budgetary planning is done. Funds are allotted departmentally according to unitwise requirements. The incharge of the unit is careful to see that the funds are being spent according to pre-determined estimates. Analysing the costs of each product or service, operation by operation and process by process provides a satisfactory control over the efficient functioning of the enterprise.

INFORMAL METHODS OF EXECUTIVE DEVELOPMENT

Informal training is that which is not formal, i.e., it is not well-planned. It does not have pre-determined objectives and procedures to achieve them. Formal training is an essential function of a business enterprise. It is imparted in a more systematic and well-planned way. It has got its pre-determined methods, techniques and procedures. Its path of progress is properly checked and controlled and its performance is duly appraised. There are different methods of imparting formal training subject to the need for training and the availability of technical-know-how and financial resources.

Informal training is not a substitute to formal training programme. In fact it is a supplement to formal training and begins at the completion of the formal training. Informal training creates more formal relations

between the trainee and the trainer. Its purpose is to serve the individual needs. It is imparted in a rather more independent and free atmosphere and therefore it is more effective. It is more specific, as the formal training programme is comparatively more uniform. Informal training programme specifies a particular assignment to an individual according to his executive performance and individual need. One informal assignment cannot be suggested to the other person, as no two people are exactly alike.

In this chapter emphasis has been laid on the executive development programme as an aid to efficiency. Regarding the methodology of imparting training the fact be noted that each enterprise has to make its own choice subject to financial resources, availability of the trainers and the intensity of desire and motivation on the part of the trainees. Before commencing executive development programme the trainees should be properly recruited and selected. Scientific methods of selection are based on the requisite abilities of personnel such as managerial, technical, commercial, financial, security and accounting. As one moves upward to the echelons of management the need for managerial ability is increased to the extent that the manager needs as much as 40 per cent of managerial skill. Before selecting the candidates for executive development programme the pre-requisites are detected with the help of questionnaire, psychological tests and interviews.

The formal method of executive development is a pre-planned method with specific objectives to be achieved through definite time

schedules. The methodology and intensity of each programme is determined subject to the needs, availability of financial resources and trainers. Though there are different methods of developing the executives, the important ones are the lecture, conference, seminar, case method, apprenticeship and training within industry scheme.

Regarding the training of executives in Indian industries the most commonly used methods are the lecture method, T.W.I., Conference and syndicates. The use of case method is in infancy as its financial implications are high. On the whole the training methodology needs great improvement to increase its effectiveness. Like other Indian public enterprises, the executives in the iron and steel industry are generally the civil servants with a background which is not highly conducive to business efficiency hence it has been recommended that suitable executive development programmes for bottoming up to business needs are highly essential.

CHAPTER - V

INCENTIVES AND THEIR IMPACT ON EXECUTIVE DEVELOPMENT

In the previous chapter the various executive development programmes were discussed. It was concluded that the civil servants who generally man the iron and steel industry in the public sector need special attention in this direction for the development of efficiency in these enterprises. This chapter is devoted to the various forms of financial and non-financial incentives used in industrial enterprises in India and in industrially developed countries of the world. It is an accepted fact that the executive development through proper motivation plays an important part in stirring the executives and the employees to produce more and to cooperate with the management in achieving the objectives of the enterprise. The incentives give due recognition to the differential qualities of human beings. The absence of adequate financial and non-financial incentives in the public enterprises are responsible for the poor performance, continuous losses and non-utilisation of full rated capacities and various other vices of industrialisation. It would, therefore, be worthwhile to discuss them in some detail.

INCENTIVE PLANS

How to motivate an individual employee, the entire group workers, the supervisor and the executive to achieve the objectives can be manifold, i.e., quality, service or profit maximisation. The objectives can be achieved when the entire management personnel are devoted to work with team-spirit. In this respect the importance of human factor cannot be ignored. The productivity of an enterprise is bound to suffer considerably with a change in the morale of the employees - low or high. A number of factors would tend to affect the willingness of the personnel to work hard. Some of the basic factors may be the payment of wages and salaries, working conditions, security to job, future prospects, the company image, union and management relations. A satisfied worker would be more willing to cooperate with management in the overall achievement of the objectives.

The dictionary meaning of the word 'incentive' is serving to encourage, rouse or move to action. Hence it works as a stimulus or motivation. The employees are motivated to put in more exertion and care in the performance of their work. Incentives are mainly related to the willingness to work and are least concerned with capacity to work. The willingness to work can be subjected to different ways in relation to the nature of the employees, their wage and salary structure, standard of education, social status and family traditions, etc. The basic principle of incentive plan is based on the factual phenomenon of differential human qualities. In each industrial concern the employees

belong to three categories of workers, i.e., excellent, good and average. Employees belonging to the first group due to their better skill and efficiency are in a position to surpass the remaining two groups of workers in relation to quality and quantity of work. The average workers are those who reach the minimum standard of performance as fixed by the management. According to differential qualities of employees the wage and salary administration is bound to pay to them at different rates. If the different qualities are not given due weightage in the payment of wages and salaries and all the three classes of employees get equal emoluments, it means the average as well as the excellent worker are being treated equally. It would have its dual repercussions viz., the excellent worker would have dis-satisfaction and frustration while the average worker would not like to improve his quality. The excellent worker either will reduce his efforts just equal to that of his average fellow worker or would like to quit the job. The labour turnover of the excellent employees would be fatal to the existence of the enterprise as the management will have to incur expenditure on the recruitment and selection, induction and training of the new employees. It would cause considerable loss and inconvenience and most likely a fall in production and productivity. Hence, it becomes essential that differential qualities of the employees may be properly recognised in terms of financial or non-monetary benefits.

INCENTIVES TO EMPLOYEES

- i. Financial incentives
- ii. Non-financial incentives
- iii. Negative Incentives

Financial Incentives

Mostly financial incentives are used to motivate the workers. So far as financial or monetary incentives are concerned several plans have been used in industrially advanced countries. The basic aim behind all the plans has been to reward the better employees and to motivate or punish those employees who fail to reach the minimum standards of performance. The difference in the use of the plan is mainly over the distribution of increased earnings of the employees, between the employees and the business concern. The sharing proportion causes different reactions in the minds of the employees which would be explained briefly in the following pages:

Though the purpose of awarding incentives to the employees as well as executives is generally to increase the productivity of the employees, it can serve to achieve other objectives too viz.,

- a) To improve the quality of the product or the service
- b) To produce more goods or to provide more service
- c) To save time
- d) To save raw material by avoiding waste of raw materials
- e) To avoid accidents
- f) To avoid breaking of machines or parts
- g) To reduce employee absence
- h) To achieve any other specific purpose.

An incentive is in short a scheme or device which aims to increase the willingness but not necessarily capacity to produce. It is thus correlated with 'morale' which also refers to human willingness or

sense of belonging or togetherness rather than capacity.

PRE-REQUISITES TO INCENTIVES

Before the introduction of incentive plans it is necessary to note that incentives are not substitutes to low wages, therefore, it is essential that the problems relating to wage and salary administration must be solved carefully. The determination of wages as "fair wages" with full satisfaction and acceptance to the employees will prepare a base for the introduction of incentive plans. What is a 'fair wage' is very difficult task to perform, as it involves a number of aspects of the broad problem of wage determination, i.e., wage and salary levels, salary structures, individual wage determination, wage payment methods, fringe benefits and the problem of control.

The above mentioned problems are most essential and be carefully solved. If the level of wage and salary is a lower one than what is actually being paid in market then all efficient employees will be attracted elsewhere. So it becomes necessary that the question of level be carefully solved in each enterprise. Employees are in pressure to accept the job at lower wages and salaries in early stages of unemployment and later being experienced move to places of higher emoluments causing problems of labour turnover. How the problem of labour turnover can be checked? The easiest way is to determine the value of jobs and pay them accordingly. There is no doubt that the problem of low wages is serious as it causes dis-satisfaction among the employees. Moreover, it

helps to labour turnover more serious than this is the problem of inequalities in the relative values of jobs, i.e., similar jobs being paid in different amounts. Another serious situation may arise due to an easy job with a high wage or salary and a difficult job with a poor wage. Such problems and others that come under the domain of job analysis and job evaluation should be properly dealt with so that there may not arise any question of human dis-satisfaction and a healthy base of wage and salary administration may exist. It would prepare a ground for the introduction of incentive plan to increase the individual and group performance as well as that of the executives.

After deciding what specific type of incentive plan will be used in the business enterprise and that the necessary pre-requisites to incentive plans have been fulfilled, the establishment of a wage and salary department will help to achieve the objective of finding out a fair wage with the help of job analysis and job evaluation and that the 'standard time' fixed with the help of industrial engineers using the necessary management tools of time and motion study, work analysis, methods study and work measurement etc. Besides the above mentioned management tools to fix 'fair wage' and to see a standard time to measure the increased performance of the employee it is also very essential that full cooperation and acceptance of the employees through their proper representation at the time of setting the standards or other related issues through collective bargaining have been settled.

Generally financial incentives are provided in most of the

industrial and commercial enterprises in industrially advanced countries like U.K., U.S.A., Germany, Soviet Union and Japan etc. The employees doing their work in less than the 'standard time' or working more than the 'normal output' deserve to get more wage or salary for saving the time or producing more than the minimum standard of performance set by the management. The members of the rank-and-file are most affected by monetary considerations as the marginal utility of monetary unit is comparatively high to lower level employee with the increase in salary and advancement in position and rank monetary values begin to lose their fold till other psychological and social together with organisational considerations become more important and affect the willingness of the executives and other high echelons of managerial and administrative personnel in the enterprises.

The managing of public enterprises in general and that of iron and steel industry in particular poses certain important problems relating to efficiency and productivity which need great care and caution in order to run the public enterprises on more sound commercial lines. To achieve that objective similar to private enterprises, public enterprises will have to provide incentives:

"Government should provide incentives at all levels of management similar to private industry and business. It is the experience of business administrators that delegation and decentralisation of authority are fruitful sources of incentives for the efficient working of an organisation."¹

1 Farooque, Q.H., "Incentives In Public Enterprises of India" (Faculty of Commerce, Aligarh Muslim University, Aligarh, 1963), p. 5.

Accepting the need and urgency of incentives to public enterprises at all levels of management, the fact begins to weigh reality upon the mind that providing incentives to lower level employees would help to increase their willingness to work. Incentives can be provided to them on individual as well as group basis subject to the urgency and situation of the problem. Incentives to the executives with that of the employees will help to achieve the over-all objectives of the enterprise.

Having accepted the question of providing incentives, need arises to go through certain existing practices about the kind of incentive plans in some of the essential enterprises of the industrial world.

INCENTIVES IN GERMAN INDUSTRIES

In West Germany there has been tremendous increase in national economy, recording a marked rise in production by 225 per cent and productivity by 165 per cent during the last decade. It has been due to the use of incentive systems provided for the employees as well as the executives. The employers, apart from direct financial incentives they provide many fringe benefits like residential accommodation at subsidised rents, Christmas pay, medical facilities, vacations with pay etc. The fringe benefits as a percentage to total wage are shown below:²

1. Payments compulsory by statute

Pension and other benefits	...	14.1 %
a) Day off for housewife)	...	11.1 %
b) Day off for marriage)	...	
Children's benefits, sickness, etc....		<u>3.0 %</u>
		28.2 %

² NPC, India, "Incentives in Industry in West Germany, U.S.A. and Japan", Report Number 16, (Albion Press, Delhi, 1962), pp. 7-8.

2. Voluntary payments by employer

Old age insurance	...	5.4 %
Assistance for house building		1.1 %
For education	...	0.7 %
For canteen, meals etc.	...	1.5 %
Directly paid as bonus at Christmas (Profit-sharing) and gratuity	...	7.1 %
Other benefits	...	0.6 %
		<u>16.4 %</u>
Grand total	...	<u>44.6 %</u>

Such a high percentage of fringe benefits to total wage payment is due to high productivity of the German industry. It is due to full cooperation between the unions and the managements in matters like job evaluation, work measurements, setting of work standards and fixation of rates of incentive wages. Out of 15 million industrial workers about 30 per cent are on incentives. Besides a high percentage of fringe benefits as high as approximately 45 per cent, the percentage of incentive wages to total wage bill is about 15 per cent. In most of the German industries the Standard Hour Plan is in use and its percentage figure is between 75 and 80. The Bedaux Plan covers about 5 per cent while the rest of the Plans range between 15 and 20 per cent.

INCENTIVES IN U.S. INDUSTRIES

The United States has been a pioneer country in matters of high norms of industrial production and productivity. As early as the post-World War I productivity teams from Europe as well as other industrial

countries were visiting States to study American industries, management practices and trade unionism to learn how to increase labour productivity and industrial production to rebuild their shattered economies and to raise the standard of living of their masses.

According to the result of a survey conducted in May 1958, 27 per cent of all production and related workers were on incentive plans. various types of incentive plans are current in U.S.A. and are known after the names of their propounders like Halsey, Rowan, Bedaux, Taylor, Merrick and Gantt Plans etc. As regards direct financial incentives both the employers and the employees prefer piece rate with minimum standards of performance and guaranteed minimum wage. The setting of the standards is subject to the consent of the union representatives and full use is made of industrial engineering, i.e., work measurement and methods study and time and motion techniques. Job Evaluation is used before the formulation and installation of wage incentive plans.

The Ford Motor Company (U.S.A.) the steel plant, as a unit of automobile plant has wage incentive plans and covers about 95 per cent of its workers. The plans for the purpose of calculating incentive premiums are mostly High Task Plans, based on the standard Hour System and a 25 per cent premium is paid for 25 per cent production over the standard. Due to the nature of work in the manufacture of steel it is difficult to find out the individual performance, hence most of the workers are covered by group incentive plans. Incentive payments begin from 50 per cent of standard performance and an employee whose performance

has reached 133 per cent of the bonus
of 125 per cent. Up to a level of 100 employees
get the same amount of incentive bonus. 100 per cent they are
paid according to job grades.

A second example of incentive payments may be cited of Celanese Corporation of America (U.S.A.). The incentive system in this corporation, 30 years ago, was the Bedaux Plan. During the Second World War the incentive system was discontinued and attendance bonus was introduced awarding bonus to all those employees who work for five days in a week.³ In 1948 the production figures were low and disappointing the authorities decided to re-introduce incentive scheme. The incentive bonus is calculated on the basis of multiple factor measurement. It is a group plan and covers production and maintenance workers. Average incentive earnings are usually 12 per cent of the basic wage, but sometimes the incentive premiums go as high as 33 per cent

There are several instances where incentive premiums are provided on individual performance as well as group performance. The minimum standards of performance are set up after due consent of the employees and that the minimum guaranteed wage is accepted for the employees. The success of a wage incentive programme depends on (i) its acceptance by the employees, (ii) simplicity in calculation of the incentive premium, (iii) financial gains to the employees (iv) fulfilment of the basic requisites prior to the introduction of the plan.

3 There are five working days in a week and Saturday and Sunday are off days and are known as "week-end".

Employee satisfaction and confidence in the constructive aspect of the incentive plan are the basic requirements. It would be appropriate to refer to the case of Carborandum Company (U.S.A.) an example of incentive programme based on employees and management cooperation and where the incentive wages are determined on a number of factors. The scheme runs as follows:

The incentive programme works plant-wise and all the workers are covered by it. Group incentives are paid on the basis of three factors, i.e., (a) Savings in material, (b) Savings in labour and (c) Savings in supplies. A standard of performance is set usually from previous record and that standard is compared with the existing performance of the employees to find out the incentive premiums. Savings through innovations and technological advancements are shared between the company and the workers in the proportion of 45 : 55. Minimum percentage of incentive premium is 20 per cent to basic wage. Out of the incentive premiums calculated on the basis of each month 25 per cent is transferred to a reserve fund and the residual or 75 per cent is distributed to the employees. If there is a deficit in any month that is met out of the reserve fund and if any balance is left in the reserve fund at the end of the year that is further distributed among the employees.

Incentive wages in Japan

Before the Second World War Japan was industrially most advanced country in Asia and was in a better competitive position in some

respects with the rest of the Western world. Her management practices, wage and salary administration, industrial relations based on scientific basis have contributed to the industrial advancement of the country. As early as 18th century when Japan was a plutocratic and militaristic country government provided financial incentives to industrialists and often government started enterprises:

"In the infancy of Japanese factory industry, government enterprise was of considerable importance. Many of the initial pilot plants in various industries were established by state initiative. Especially was this true in metallurgy, machinery manufacture and ship-building - all of first class importance to the military."⁴

Besides financial incentives state tried to help industrialists indirectly to the extent that even the small industrialists found themselves safe, secure and economical to run their business amidst large scale corporations and it was due to providing of efficient marketing arrangements, cheaper credit and electric power. Such indirect non-financial incentives or social overheads helped the small industrialists to such an extent that as late as 1930 plants consisting of less than five operatives accounted for 30 per cent of the net product of all manufacturing establishments of Japan.⁵ After the Second World War, with greater U.S. influence in industry and technology greater improvements have been made and the Japanese industrial units enjoy financial and non-financial incentives.

4 Simon Kusnets, Wilbert E., Moore and Joseph J. Spengler, "Economic Growth: Brazil, India, Japan" (Edited), (Duke Univ. Press, Durham, N.C., 1955), p.148.

5 *ibid.*, p. 149 (quoted from "National Income of Japan", pp. 39-53.

Sanvo Yushi Kogyo K.K. (Japan)

Under the incentive plan all the employees are covered and the incentive premium is based on total sales. Each employee gets the share of his bonus in relation to his wage and merit to be decided by the board and amounts to about 15 per cent of the wage. The incentive premium as a standard throughout Japan is about four months wage and is paid in two half yearly instalments. In addition to the incentive wages paid to the workers the executive managers who form the Board of Directors are also paid incentive wages. The directors' performance is evaluated by the president on the point assessment basis dealing with:

- a. originality
- b. knowledge
- c. planning capacity
- d. organising capacity
- e. executive control
- f. rationality
- g. aggressiveness
- h. mental activity

The executives also share a substantial amount as incentives in various forms of financial, non-financial benefits and subsidised accommodation and boarding, e.g., Hitachi Ltd., a giant corporation of Japan with a paternalistic approach towards its employees.

"Company executives say the state benefits each employee gets roughly double his salary. Workers seeking recreation can play on the company baseball teams, join the company amateur theatrical group or, at a nominal fee, spend a weekend in a company inn.

"If a worker marries and takes his bride to live in a company house he would pay a maximum monthly rent of \$ 8.33 for six rooms. His pay is increased by \$ 2.78 per month for his wife and \$ 2.22 for each child."6

6 Indian Management, "Hitachi's Paternalism", Journal of the All-India Management Association, New Delhi, January-February, 1962, p. 27.

Non-Financial Incentives:

In a developing economy like ours financial incentives are more effective to condition the willingness of employees, executives and top management personnel. As the income levels tend to cross the subsistence economy towards prosperity and then to abundance then the marginal utility of monetary units starts to lose its effectiveness and any addition to the amount of wage and salary fails to have any effect on the willingness and attitude of the employees to produce more. Beyond a certain point of income, money does not work as a cohesive force or a stimulus to stir the willingness to work more or better. It is there that non-financial incentives play their part with great accomplishment. Non-financial incentives may include:

- i. Organisational structure;
- ii. Psychological approach;
- iii. Fear;
- iv. Recognition.

Organisational Structure:

A well-thought out and well-planned organisational structure providing for ample consideration to de-centralisation, a short span of control, advisory services, unity of command and direction will help to increase the effectiveness of the organisation. The vitality of organisation can be maintained by filling in all the positions by most competent people having interest in their jobs and a sense of duty. Decentralisation and delegation of authority and responsibility will help to work as a powerful incentive. The subordinates to whom delegation of authority and responsibility has been made feel more responsible and

exert wholeheartedly to perform their duties. There is comparatively more teamwork and better understanding between the employees and the management. There is a dearth of delegation of authority and responsibility in India in government departments as well as in the public enterprises. It proves to be a deterrent to industrial growth as it fails to provide quick means of developing the junior executives on the one hand and on the other it fails to relieve the senior executive of routine work of less importance with the result that he does not have ample time and opportunity for formulation of the policy and other important work assigned to him.

The organisational structure if properly planned and worked out will help to stimulate the employees to put in the maximum of their exertion to achieve the objectives of the enterprise.

Psychological Reaction:

"The only thing that gives me pleasure apart from work, my violin and my sailboat is the appreciation of my fellow workers."⁷ With such remark the famous scientist Albert Einstein acknowledged the major sources of satisfaction in life. Psychological reactions prove to be great influence in increasing or decreasing employee willingness to work. If the employees feel that they are being respected in the organisation, in society and in general public as important human beings contributing something substantial to the business enterprise they feel

7 Paul Swartz, "Psychology -- The Study of Behavior" (D. Van Nostrand Company INC, Princeton, N.J., 1963), p. 226.

honoured. The mental satisfaction helps to raise the employee morale, reduces the number of grievances and disputes between the employees and the management and also helps to reduce labour turnover and absenteeism.

FEAR AND PUNISHMENT:

Just as appreciation and applause help to motivate the employee to work harder and better in the same way the element of fear has proved to be great stimulus to increase the production. The fear that if the employee fails to accomplish a certain amount of work he is bound to be punished, i.e., loss of incentive bonus, deduction in the rate of wages, a fine, demotion or the termination of the job and even prosecution subject to error or negligence. The capital punishment has often been registered in under planned economy and regimentation.

Recognition:

Big enterprises in Western countries spend substantial amounts to give due recognition to their excellent employees and executives. They hold annual meetings and honour their best employees, engineers, executives and administrators by calling their names and honouring them by appointing as heads of various committees, as leader of productivity team visiting foreign countries, or by rewarding the certificates of best performance for the year. Governments also honour the best administrators, engineers and scientists, etc. to encourage them and to provide an incentive for the potential ones. Those who receive such titles in the presence of their fellow workers, officers, friends and relations feel highly honoured and pleased. Others receive it as a

challenge for the next year and this competitive spirit helps to work as a great incentive to increase willingness to work. For the executives and the top management personnel non-financial incentives, besides the financial ones have proved to be more effective.

Fringe Benefits:

Financial and non-financial incentives are used to motivate the above-the-average employees to accept their differential qualities to compensate them accordingly or to distinguish them. Some unions oppose financial incentives and press for overall improvements in the working conditions, fewer working hours, security to job, ample opportunities for future promotions, collective bargaining, social security, ^{age} old/pensions, accident insurance and various types of other benefits to improve the position of the workers as a whole. Such additional benefits provided by the employers to employees are known as "fringe benefits". In U.S.A. the term "fringe benefits" originated about 1943 when the chairman of the National War Labour Board referred to "fringe issues" to denote all forms of employee compensation.⁸ The problem of "fringe benefits" is gaining momentum due to the fact that labour turnover has become very expensive and detrimental to the existence of the enterprises. The employees move from one enterprise to another where they get better wages and salaries and also some other benefits in the form of incentives and fringe benefits. These benefits help them to augment their incomes hence a better standard of living. The justification for "fringe

8 James C. Hill, "Stabilisation of Fringe Benefits", (Industrial and Labour Relations Review, Vol. 7, No. Jan. 1954), pp. 221-234.

benefits" is based upon the fact that increased profits earned through increased productivity are due to better efficiency and cooperation of the workers. As such the employees are entitled to share in the additional profits of the enterprise. If the workers are denied to have a share in the increased prosperity of the enterprise they would feel less recognised and neglected. It would affect their morale, willingness to work, involvement and loyalty towards the enterprise and the management. They would begin search for better jobs, will work carelessly with less understanding and cooperation. Hence it is needed that additional benefits may be provided to retain the existing employees to attract better ones and to motivate the employee to produce more with excellent performance.

The items that can be included in "fringe benefits" would differ from enterprise to enterprise subject to the profit earning capacity of the enterprise, the scales of wage and salaries, the relation of going wages to the existing wage and salary levels of the enterprise and the availability of extra funds to be utilised for "Fringe benefits". In the United States that is confronted with the problem of labour turnover and scarcity of competent executives and technical know-how the items of fringe benefits are increasing in number as the powerful trade unions are exerting hard to demand as much as possible and democratic managements are generous in rewarding the employees as much as possible to maintain healthy relations between the two. The number of fringe benefits has increased so much that they range from paid vacations to free hair

cuts. An idea of the types of items involved however may be obtained from the following information:⁹

<u>1. Extra payments for time worked</u>	<u>No. of benefits</u>
Holiday premiums)	3
Overtime premiums)	
<u>2. Non-production awards & bonuses</u>	6
<u>3. Payments for time not worked:</u>	16
<u>4. Payments for employee security</u>	43
<u>5. Payments for employee services</u>	48
	<u>116</u>

Whatever the number of fringe benefits an enterprise may have that is subject to its capacity to pay to its employees yet the main fringe benefits that an enterprise will like to have will be as follows:

1. Extra payments for time worked
2. Holiday premiums
3. Overtime premiums
4. Non production awards and bonuses
5. Attendance bonus
6. Christmas bonus
7. Quality bonus
8. Safety awards
9. Payments for time not worked
10. Family allowances
11. Lay-off pay
12. Paid holidays
13. Paid death-in-family leave
14. Accident insurance (contribution)
15. Disability insurance
16. Hospitalization insurance
17. Life insurance
18. Medical insurance
19. Suggestion awards
20. Waste elimination bonus
21. Religious holidays

⁹ David W. Belcher, "Wage and Salary Administration" (Englewood Cliffs, N.J. Prentice-Hall, INC, 1959), p. 16.

22. Rest periods
23. Vacation pay
24. Contribution to workmen's compensation
25. Pensions
26. Canteen service
27. Educational assistance
28. Free laundry
29. Free meals
30. Recreational facilities
31. Rest room facilities
32. Wedding gifts

A survey conducted in the U.S.A. in 1948 revealed voluntary benefits plus vacations cost, the employers had to pay an average of nine per cent of payroll. Other studies conducted in the same relation go up to 19 per cent.

Incentive Wages in Indian Industries:

Though the need for incentive wages to employees and executives is essentially desirable to overcome the problems of low productivity, high costs and absence of profitability. The case of Indian industries is very different from their counterpart in other industrially advanced countries where the basic pre-requisites of wage and salary administration have been provided for. The basic pre-requisites like the development of labour market, existence of strong and stable labour unions with competent leadership, the development of fair labour practices and a high sense of labour responsibility and the existence of labour legislation to protect the rights of the employees. In Indian industries the existing problems are that of low wages, low productivity, inter-union rivalry, labour disputes, absenteeism, strikes, lock-outs and the existence of poor

industrial relations. Under the existing conditions most of the enterprises are not giving incentives to employees or executives. After Independence, the rapid expansion of industrialisation in the country and their inefficient working has increased the need to improve the condition of human motivation. Some efforts have been made in private sector where the employees get incentives on individual as well as group basis.

The first and foremost problem to be solved is to guarantee a fair wage for all the employees irrespective of any consideration of private or public enterprises. The problem of wage and salary administration has not been solved in a scientific way with reference to:⁹

- 1) The problem of wage and salary levels
- 2) The problem of wage and salary structures
- 3) The problem of individual wage determination
- 4) The problem of wage payment methods
- 5) The problem of "fringe"
- 6) The problem of control

Though the Fourth Five Year Plan acknowledged the fact that the labour has to contribute a lot to increase the productivity by remarking:

"Labour has a vital role in increasing productivity and management has to help create conditions in which workers can make their maximum contribution towards this objective."¹⁰

But it remains a fact that Indian workers suffer due to primitive working conditions, low wages, long hours of work, poor housing conditions and

9 David W. Belcher, "Wage and Salary Administration" (Englewood Cliffs, N.J., Prentice-Hall, INC, 1959), p. 18.

10 Government of India, Planning Commission, New Delhi, "Fourth Five Year Plan", A Draft Outline, 1966, pp. 386-87.

nothing substantial has been done towards facilities for education, recreation and welfare of the employees.¹¹

Though there is labour legislation to protect the rights of the employees, yet owing to the weak position of the employees the employers take undue advantage. The rising prices in the country as a result of heavy expenditure on Five Year Plans and imbalance between the demand and supply of consumers' goods causing further rise in the price level. Consequently, it increases labour unrest, strikes, labour disputes and various other vices.

In order to increase labour efficiency it is essential that the workers be treated like human beings. They must get fair wages adjustable subject to the changes in the price level. This would provide a sense of security, would boost the morale of the employees. It would also increase labour productivity.

Need for Incentives In Public Enterprises In India:

From the above analysis it is clear that incentives play a prominent role to motivate the employees' willingness to work to achieve the objectives of the enterprise. Private enterprise in itself is a great incentive to the owners as they know that there exists a direct relation between efficiency and profits. If they work hard with greater efficiency and responsibility likely there will be greater chances of increased profits. Attempts are being made to introduce various types of

11 V.V.Giri, "Labour Problems In Indian Industry" (Asia Publishing House, Bombay, 1965), p. 44.

incentive plans to private sector to increase willingness of the employees and to establish better relations between the workers and the management. In case of public enterprises it is more important that personnel problems may be solved with great care and caution so that there may be least possible friction between the two, resulting in increased efficiency and productivity, greater cooperation and understanding, reduction in the number of disputes and strikes. In government departments the monthly salary is the only remuneration one is to receive and there is no other monetary reward to differentiate an excellent worker from the average or inefficient one. The result is that the efficient worker, in the absence of the recognition to his superior quality, efficiency, attitude, knowledge and over-all performance starts to have some sort of humiliation and frustration. It results into bilateral action, i.e., becoming indifferent to maintain the previous standard of performance or leaving the job for a better opening. Both the things are harmful to the smooth functioning of the enterprise. The former position results in the reduction of the total production of the enterprise, while the latter causes the serious problem of labour turnover. Government employees whether in public enterprises or other departments of the Government need proper recognition. The main defect lies in non-recognition of the intricate problems of personnel management in government departments as well as private sector. The usual practice has been to appoint the civil servants and I.A.S. people as heads of public enterprises with frequent transfers from enterprise to enterprise. The result is that such officers are not in a

position to understand the reality of business situations like the extent and intensity of relations existing between the management and workers, nature of the product, market analysis, channels of distribution, pricing policies, the degree of competition and the future of the product. Such problems and other related issues need careful study of the industry, market mechanism and the hold of the rival manufacturers. An administrative officer, well-informed of the necessary facts of the concerned enterprise will be able to make efficient decisions in time. It is possible only, "if the persons placed in the public sector are carefully chosen, trained and provided with suitable incentives in order to bring about the best in them."¹²

The heads of the public enterprises do not think beyond the rules of service under the Central Government. If any enterprise suffers huge losses the chief administrator is not put to task, the utmost punishment he may undergo is the transfer to some other enterprise or government department. Under all circumstances he is sure of his salary irrespective of the fact that the enterprise is not functioning efficiently. It is against the public interest as the efficient functioning of the public enterprises would retard the economic growth and would increase the unnecessary burden of loss to the taxpayers. It would also be a burden to the consumers as they will have to pay a high price. The position of the employees also will not be satisfactory as nominal profits or absence of

12 S.T. Raja, The Indian Journal of Public Administration, New Delhi, Vol. XI, No. 1, Jan. March, 1965, p. 19. "Middle And Higher Management Personnel In Public Sector."

profits will leave no ground for high wages, improvements in working conditions and addition to wage benefits in the form of wage incentives and fringe benefits. How things can improve when in public enterprises even in case of inefficient functioning and corruption the employees are not given any punishment but get promotions. The case of the Bhakra Nangal Canals construction as reported by Mr. Justice S.S. Dulat, a judge of the Punjab High Court can be cited:

"It is obvious, however, that if verbal condemnation of corruption is accompanied by toleration of the corrupt by affording them promotions, there can be little hope for improvement. We would urge, therefore, when promotion of individual officers is under consideration, particularly promotion to administrative posts, great weight should be given to the reputation these officers may have earned."¹³

A second reference may be given of the Life Insurance Corporation when on 15th April 1957 in a note to the Principal Secretary, the Finance Minister had drawn attention to the unsatisfactory state of affairs in the Board of Management of the Life Insurance Corporation."¹⁴

Before introducing wage incentives to public enterprises it is also necessary that the pre-requisites be provided by defining the jobs exactly and by specifying the qualifications of the persons competent to fill in the jobs, i.e., the job descriptions and job specifications. In addition to the preparation of job manuals the introduction of management

13 A three member high powered Committee headed by Mr. Justice S.S. Dulat, a Judge of Punjab High Court to investigate corruption in the Bhakra Nangal Canals construction (1958).

14 Lok Sabha Debates, 20 February 1950, Col. 1750-51.

tools is also essential. These management tools will include job analysis and job evaluation, time and motion study, operations research, quality control, market research, cost accounting, production planning, forecasting and control etc. The trained executives and administrators specifically to undertake responsibility of managing public enterprises will be in a better position to understand the complicated problems relating to size, financial needs and labour unrest.

Fresh administrative entrants without university background of subjects relating to industrial management and without adequate training relating to a particular area of business activity and also lacking substantial business experience would make a great difference in comparison to their counterpart in private enterprises. This factor needs greater emphasis as it would help to improve the working efficiency of the enterprise by making efficient decisions, boosting the morale of the employees through better psychological approaches to deal with human and industrial relations.

Having completed the necessary pre-requisites before the introduction of the incentive plans, it is also essential that the enterprise must be functioning efficiently under profitable conditions, otherwise it would be difficult to provide financial incentives, though not impossible, as the basic purpose of such device is to increase the production or reduce the cost of production or to meet any other specific objective of the management. The financial incentives can help to boost the morale of the employees who would try to produce more, consequently to reduce the

cost of production, to reduce the amount of loss and ultimately the overall picture of working results would improve. In case of public enterprises which can run under different working results, i.e., (i) maximisation of profits, (ii) no profit no loss, (iii) at a loss, it is advisable to think of adhering to the first consideration in case of Indian economy where private and public enterprises work together and where the former believe in the maximisation of profits, the principle of "no loss no profit" would not be appropriate. Technically speaking the question of profit making is not a barrier to providing the financial incentives to employees. Just as wages are paid to the employees without any concern whether the enterprise is making profits or losses are being incurred. Incentives are paid for additional work, increased production or excellent performance. Even in a concern where losses are being incurred the principle of incentive wages can be applied to alter the business results from loss to profits through enhanced efforts of the workers, greater understanding and cooperation.

Besides financial incentives to individual workers, incentives can also be provided on group basis. In that case, the entire employees of the unit get a percentage of premium in relation to the basic wage of such employees. The work of the executives and administrative personnel being of a complex nature is very difficult to measure routine work, decision-making, supervision and getting the work done through others. Thus incentives to executives and administrative personnel are provided on the basis of the group performance in relation to fulfilment of the

targets.

In India there is no difference of pay scale of Indian Administrative Service personnel who work as heads of public enterprises or as heads of other government departments. They get promotions in salaries on the basis of annual increments, as such according to the period of service the head of an enterprise working most efficiently contributing substantially to the revenues of the government and his counterpart with same period of service but running the enterprise with unsatisfactory results causing great loss to the controller of exchequer, gets the same amount of pay as the head of the successful enterprise. The main idea behind the discussion is to emphasize the distinction between an average executive and an excellent one and these two should be compensated in quite different ways, recognizing the qualities of better performance, initiative and enterprise all resulting into increased profits. The most appropriate way of extending recognition to the excellent administrator is to create a separate Indian Management Service with three scales of pay for average performance personnel, for good performance and finally the excellent performance executives or C,B and A class executives. It would not be a novel idea to the management practice, but a usual thing being practised in the U.K., the U.S.A., the U.S.S.R., Western Germany, Japan and other industrial countries. The need for recognising the differential capacities of the executives and personnel of the top management has also been expressed by Professor Q.H. Farooquee, an eminent scholar and administrator of India. He says as follows:¹⁵

¹⁵ Professor Q.H. Farooquee, Dean, Faculty of Commerce, Aligarh Muslim University, Aligarh, "Incentives In Public Enterprises of India" (Faculty of Commerce, Aligarh Muslim University, 1963), pp. 17-18.

"The personnel of the top management are also human-beings, therefore, must be treated likewise. After reaching the maximum limit of salary they do not have any incentive for creativeness and promotion. It is that this stagnation must be broken and additional emoluments ranging from efficiency bar better performance and excellent achievements with margin of Rs. 500, Rs. 750 and Rs. 1,000 in addition to their salaries for them. This merit allowance be awarded on the basis of evaluation of the worth of the executive, i.e., decision-making, ability, variations between the decision and desired action, individual and group performance."

A second reference in line with the need of different scales of pay for executives is cited as follows:¹⁶

"In order to make the Indian Management Service sufficiently attractive and to ensure reasonable returns to the managerial personnel, it would be to fix the remunerations at reasonable levels in keeping with the general standard of wages and salaries prevailing in the country ... After satisfactory completion of two years training on probation he will be taken in Grade IV of the I.M.S. viz., Rs. 700-80-1250. The other three grades would be as under:

Grade III	Rs. 1200-60-1500-75-1800
Grade II	Rs. 1800-100-2000-125-2750
Grade I	Rs. 2750-150-3500 (for chief executive)."

The different scales of pay of the executives on the basis of performance and creativeness will help to achieve the objectives of higher productivity and executive development. The lower grade executives would work hard to improve their working efficiency and rise above the point of capacity, while the A grade executives would endeavour to maintain their position by registering better performance than that of the previous year.

16 S.T. Raja, "The Indian Journal of Commerce" (New Delhi, Vol. XI, No. 1, Jan.-March, 1965, pp. 23-24). Middle and Higher Management Personnel in Public Sector.

In the interest of running the public enterprises efficiently it has become indispensable that adequate provision be made for providing financial as well as non-financial incentives to executives as well as employees in public enterprises in India. But before the introduction of incentive wages the pre-requisites will have to be completed. In the case of Hindustan Steel Limited, Ranchi no incentive wages are given to employees except the production bonus. The office employees and the executives are not at all given any incentive premium, the result is that the executives and the employees are not fully motivated to overcome the inefficient functioning of the three plants. Though some attempts have been made in some public enterprises in the country such as 'cash your suggestions scheme', introduced to Air India International Corporation, the Hindustan Shipyard, the Indian Telephone Industries, the Mysore Iron and Steel Works, the Railways, etc. Suggestions Committees have been made to evaluate the worth of the suggestion. Cash rewards are given for valuable suggestions. But the scheme covers a part of the employees and is not of a general nature. To motivate the employees as a whole it is necessary that all the employees inclusive of office and non-production employees and the executives all must be provided adequately financial as well as non-financial incentives as is being done even in Socialist countries of the world.

Incentives In the U.S.S.R. Industries:

The management problems of industries in democratic countries such as U.K., U.S.A., Western Germany and the socialist countries like

the U.S.S.R., Hungary, Poland, Czechoslovakia and Yugoslavia etc., are not much different from each other: Differences exist due to minor modifications and changes in approaches. So far as the motivation of workers, executives and higher management personnel is concerned ample incentives are provided which are both financial and non-financial. In Soviet industries premium is the main incentive which is awarded for good performance. The good performance is mainly regarded as the fulfillment of the standards. Above the individual incentive premium a further monetary allowance known as bonus is given to the entire group for accomplishing the task. The bonus amount is distributed to the employees subject to the amount of the basic pay. The section which gets the highest percentage of overfulfilment of standard receives the Red Banner. Incentive is also provided to the leader of the group at the end of the month. There is a shop banner for the shop which receives the highest percentage of overfulfilment and the shop chief also gets a premium. There are also quarterly and annual premiums. In addition to incentives for overfulfilment of the plan additional incentives are also provided for production of goods from waste and scrap materials, i.e., production of spare parts, and also for production of high quality output reducing the cost of purchasing operations, successful introduction of new models into production, etc. The incentive premium is also paid in kind and is known as 'putevka' like the admission ticket to a rest house or vacation resort, clothing and consumer goods, etc. Such facilities are provided by the director of the unit financed out of the funds created for the purpose. The director of a large mining enterprise can double his monthly salary if he succeeds

in meeting the production targets. After meeting the targets if he crosses the limit towards over-fulfilment then he is entitled to have 10 per cent premium for each 1 per cent overfulfilment of the plan and the director can increase his monthly remuneration up to the extent of 100 per cent. It is not easy to cross the limit of the planned target as the Russians are very strict to punish the wrong rate of growth and wrong statistics and to "advocate the wrong rate of growth has often been considered a crime, the serious crime of wrecking."¹⁷

The fear of punishment works as a great incentive to accomplish the desired limit of production. The director of a unit who fails to fulfil the planned targets is not entitled to have any incentive premium on the contrary his services may be terminated or if the case is serious he may be punished even severely.¹⁸

Incentives In Hungarian Industries:

Incentive premiums are popular in Hungarian industries and both financial and non-financial incentives are provided to employees, executives and other high ranking administrative personnel. Besides incentive premiums other allowances on group basis and fringe benefits are also provided to them. The following table gives the information about the

17 M. Gardner Clark, "The Economics of Soviet Steel" (Harvard Univ. Press, 1956), p. 26.

18 While attending the Summer School On Public Enterprises, April 15-30, 1964, Osmania University, Department of Commerce, Hyderabad, the author, while attending the lecture of an Officer of Hindustan Steel Limited, Ranchi, came to know the fact that the rated capacity of the Soviet built machines was more than what was disclosed and it was due to the fact that meeting the targets was most important in U.S.S.R., for the survival of an officer.

awarding of incentive premiums to executives and other administrative personnel in a light industry of Hungary:

Incentive Premiums to Executives¹⁹

Quarter	Number of technical personnel receiving premiums as a percentage of all eligible technical personnel.	Premium payments actually received as a percentage of basic pay.
1st	95.7	28.1
2nd	94.2	26.5
3rd	87.4	23.2
4th	88.9	22.7

The workers eligible for premiums payments are divided into three classes viz., A, B and C. Class A consists of top management personnel (directors, chief engineers, chief accountants). Class B consists of persons of less responsible positions and class C accounts for those holding the least responsible positions. Regarding the amount of premiums it is the A class which enjoys the highest share of premium. The Tancses Leather Factory can be cited as an example:

The Tancses Leather Factory²⁰

Name of Enterprise	Category A	Category B	Category C
Hazai Fesus Fono	36.9	22.3	23.1
Hagyar Posztogyar	36.8	27.6	34.3
Tancses Borgeyar	10.8	13.6	14.6
Minosegi Cipogyar	39.6	34.6	29.6

19 James Kornai translated by John Knapp, "Overcentralization in Economic Administration" (Oxford Univ. Press, 1959), p. 73.

20 James Kornai translated by John Knapp. op. cit., p. 73.

The author is of the view that the provision of adequate financial and non-financial incentives as well as fringe benefits would help to increase the willingness to work of the employees, the executives and top management personnel and to overcome the problems of low productivity and inefficient functioning of most of the public and private enterprises in the country specifically the iron and steel in the public sector.

The provision of financial incentives for the members of the rank and file and supervisory personnel will have the maximum effectiveness to motivate the willingness to work while for the executives and top management personnel financial incentives do motivate to certain extent yet non-financial incentives like delegation of more authority and responsibility, grant of greater autonomy, appointing as heads of certain committees and delegations extending invitations to annual feasts, and socials will help to motivate them to a considerable extent.

The impact of the financial and non-financial incentives together with fringe benefits would be an overall improvement in the performance of the public enterprises, consequently there would be an increase in labour productivity and a reduction in cost of production. The increased productivity would result in enhanced profits and greater opportunity to compete in foreign markets. Finally the executive development through the financial and non-financial incentives and fringe benefits to all the employees of the enterprise would prove to be a great motivating force and would help to achieve the overall objective of running the enterprise

with greater efficiency and profitability.

In short the iron and steel industry in the public sector needs motivation through management tools so that it may maximise business efficiency and be a healthy means of economic growth. At the moment it has failed to achieve the citizens' satisfaction outside the organisation and industrial peace inside the organisation. The subsequent chapter concerns itself to the analysis of the industrial relations in the iron and steel industry.

CHAPTER - VI

THE IMPACT OF INDUSTRIAL RELATIONS **ON EXECUTIVE DEVELOPMENT**

In the following pages it has been analysed that the provision of adequate financial and non-financial incentives as well as fringe benefits are a healthy means of developing morale and willingness to work amongst the employees and the executives. They would overcome the problem of low productivity and inefficient functioning of the iron and steel industry in the public sector. Such incentives are provided and kept up in the U.K., the U.S.A., Japan, the U.S.S.R. and the industrial concerns of the other developed countries of the world. Before providing incentives it is however essential to build a climate conducive for hard work. The iron and steel industry in this context needs motivation through management tools so that it may maximise efficiency and be a source of economic growth. It is not a hasty conclusion to point out that so far they have failed to achieve the citizens' satisfaction outside the organisation and industrial peace inside the organisation.

In the light of the above observations this chapter emphasizes

the impact of industrial relations on the use of authority and decision-making. The industrial relations exert a dominating influence on management in relation to its power and influence over the rank-and-file. The relations between the two result in a lasting industrial peace, better understanding between labour and management, absence of strikes, labour turnover, workstoppages, go-slow tactics and the existence of low morale of the employees. A passing reference to industrial relations will help to give an idea as to how far labour unrest, low wages, unsatisfactory working conditions cause worries to the employers, sufferings to the workers as well as the consumers. The dis-satisfaction among the working class is a standing menace to the economic growth of the country. In this connection the efforts of both the labour unions, the role of the employers, the attitude of the government in the form of labour legislation and the general social, economic and political conditions are worth study. The use and effectiveness of authority depends on the efficiency, experience and leadership qualities of the executives on the one side and to a greater extent on the state of industrial relations, wage and salary structure, union and management relations, the pattern of management and organisation structure etc. If the workers are fully satisfied with their existing jobs, working conditions and the facilities and opportunities provided for their security to jobs and future development, they would feel proud to be a member of the rank-and-file and would be more willing and cooperative to the very objectives and orders of management. On the contrary, poor industrial relations would create labour unrest and dissatisfaction. It would become extremely difficult

for the executives to have effective control and coordination within the enterprise. Hence it is desirable to study that what type of industrial relations help to promote cordial relations between the management and the employees.

INDUSTRIAL RELATIONS

Besides the techniques, methodology and procedures of executive development, industrial relations involving personnel management, human behaviour, industrial psychology and social problems in a composite way influence the working conditions of the enterprise and the existing relations of the employees among themselves and with the personnel above the rank. These relations have a formidable influence to effect labour productivity, labour turnover, the union and management relations, cost of production, the morale of the employees and above all the very existence of an enterprise.

Good industrial relations promote cordial relations among the employees, increase productivity, by the rational use of machinery, raw materials and technical know-how. Industrial relations is the nucleus of management and provides vitality to various managerial functions to be performed in the most effective way. The words "good management", "bad management", "good industrial relations", and "bad industrial relations" do not fail to exert their influences to attract excellent workers to the enterprise, to retain them and to motivate them for future development. Bad industrial relations or poor personnel management would fail to attract good employees, to retain them and thus the complex problems

of labour turnover, labour unrest, strikes, disputes and various other vices would undermine the morale of the employees. Ultimately the working conditions of the enterprise would fail to provide a healthy and peaceful atmosphere within the enterprise to favour the executive development, which to a considerable extent, requires industrial peace, cordial relations between management and labour union or unions. The proper use and effectiveness of authority and the decisions would be applied. Hence the executives are needed to be trained to use the authority in such a way that it may be accepted willingly. Misuse of authority would result in creation and development of bad industrial relations, non-cooperation and indifference to accept the responsibility. In fact such conditions may lead to a civil war within the industrial enterprise, most injurious and fatal to its very existence.

The subject of industrial relations is quite recent in India and therefore it has not been properly understood and appreciated. The reasons being the agricultural economy and non-existence of large number of industrial enterprises and labour unions in the country. Since the achievement of Independence and the transition of agricultural economy to industry the labour problems are gaining importance and industrialists are compelled to give proper place to industrial management, industrial relations and industrial psychology.

During the British Regime very little was accomplished to establish sound industrial relations in Indian industries. The introduction of labour officers, to Indian industries started and later on designated

as welfare and personnel officers are indications that the problem is gaining momentum. There is no doubt that the negligence to acknowledge the need and usefulness of management function, the study of industrial relations involving the element of human factor to industry is too recent.

"The years since the start of World War II have seen a tremendous growth in and appreciation of the personnel function. Increasingly, personnel administrators are being found in the smaller companies -- those employing under five hundred or so employees.

In part, this emergence of the personnel function from the realm of the scattered and unsystematized to more formal and official status of today may be attributed to the consequences of governmental action ... rather than to an understanding of the psychology of human behavior and its relationship to industrial activities."¹

The indifference of the employers to acknowledge the worth and usefulness of industrial relations, is due to the inability of the workers to exert their influence over the employers to seek better industrial relations and the passive role of the government prior to the achievement of Independence.

After the Independence the things are moving in a different direction. Both the Government and the employers have realized that without restoring cordial relations between the employees and the employers, it is not possible to run the industries on rational and scientific lines, so that the day-to-day problems which usually arise in enterprises both

1 Frontiers of Personnel Administration, A Columbia Industrial Report, 1952, (The Department of Industrial Engineering, Columbia University Press, New York, N.Y.), p. 6.

public and private may be amicably solved with the least possible waste of man-hours due to strikes, non-utilisation of full rated capacity of the machines, wastage of raw materials and breakage of machines -- all due to indifference and annoyance of the workers. The absence of cordial relations would increase the cost of production, reduce the quality and quantity of goods produced and finally the enterprise will lose its capacity to compete in internal as well as foreign markets. The human problems of strikes, labour turnover, absenteeism, work stoppages, go-slow tactics, wastage and theft of raw materials and finished products, disputes, grievances, low morale, lack of cooperation and insubordination etc. are the vices that need proper care and solution. Each of the above mentioned problems presents a separate area of management activity.

"The absence of healthy industrial relations in India is due to the existence of weak labour unions, excessive unemployment, poverty, illiteracy and absence of adequate labour legislation to protect the rights of the workers. Though the industrial labour force in India is small, probably not more than 7 million in a total working population of about 142 million."²

The emergence and commencement of a new labour force due to the completion of Five Year Plans and a shift of Indian economy from agriculture to industry and vast increase in the size of enterprises both public and private, have brought a sizable number of complicated labour problems to be amicably solved. It is necessary that an adequate machinery be provided to deal with labour problems to settle them to the

2 Charles A. Myers, "Industrial Relations In India." (Asia Publishing House, Bombay, 1956), p.

satisfaction of both the parties, i.e., the employers and the employees.

Indian labour scene during the last decade has been full of problems affecting the employees, the employers, the consumers as well as the Government and to protect the rights of all the parties concerned is the main responsibility of the government. According to the Constitution, "the state should endeavour to secure, by suitable legislation or economic organisation or in any other way, to all workers, agricultural, industrial and otherwise a living wage, conditions of work ensuring a decent standard of life and a full enjoyment of leisure and social and cultural opportunities."³ Though in theory there are ample safeguards to the workers yet as an empirical study workers are far off the ideal conditions regarding wage and salary levels, working conditions, labour unions, and other benefits awarded to employees.

As stated previously, the labour unions are very weak in India and do not enjoy any discretionary force over the employers. In fact, the employers have an upper hand and dictate their terms to the labour representatives whenever any conflict arises. The proportion of total employees as members of trade unions varies from industry to industry being 32 per cent in coal mining and 60 per cent in iron and steel. The unorganised workers enjoy less bargaining power than the organised ones.

Absence of organised unions and increasing backlog of unemployed workers is worsening labour situation in India. According to the National

3 The Indian Journal of Labour Economics, Department of Economics, University of Lucknow, Lucknow, April 1951, Vol. IV, No. 1.

Sample Survey the following information cites the figures of the unemployed persons:

TABLE - 2: Estimates of Unemployed on the basis of N.S.S. Data⁴

Y e a r	N.S.S. Round of Enquiry	Estimated Unemployment (in millions)
1951	Not available	
1952	Fourth	0.36
1953	Sixth	2.71
1954	Seventh	1.56
1955	Ninth	2.33
1956	Tenth	4.26
1957	Eleventh and Twelfth	6.44
1958	Not available	
1959	Fourteenth	6.82
1960	Not available	
1961	Sixteenth	6.48

Applicants for jobs on the live register of Employment Exchanges⁵

Y e a r	No. of Exchanges Functioning	No. of Persons on the Live Register (in millions)
1951	122	0.33
1952	126	0.34
1953	126	0.42
1954	127	0.52
1955	128	0.59
1956	136	0.70
1957	152	0.74
1958	197	0.93
1959	223	1.21
1960	270	1.38
1961	307	1.56
1962	334	1.85
1963	349	2.45
1964	356	2.45

4 The Economic Weekly, Jan. 2, 1965, Unemployment Statistics in India, V.R.K. Tilak.

5 ibid.

With the increasing number of unemployed persons in industries due to mergers, modernisation, rational use of men, machines and labour, further unemployed persons would increase and would affect the existing relations of management and employees. Industrial relations to a considerable extent is concerned with restoration of cordial relations between the workers and the management. Such relations are composed of internal as well as external factors affecting the employees in matters of remuneration, working conditions, job security, individual recognition, future prospects, additional monetary benefits, labour policy, management pattern, employee morale, union strength, management attitude towards the union or unions, labour legislation, the degree of competition and the capacity of industry to pay, etc. Ingredient of the above mentioned internal and external variables mix affects the economic, social, political and psychological conditions affecting the employees as working group and their willingness to accept a decision or to turn down it outrightly causing tension and strain on the part of the parties concerned. It would help the executive to develop his ability to make effective and efficient decisions to be aware of the components that affect the nature of the decision and the degree of exactitude with which the decisions would be accepted.

INDUSTRIAL RELATIONS IN INDIA

The subject of industrial relations is quite recent to India and therefore it has been passing through evolutionary processes of

development. As the discipline of industrial management has not been properly introduced to Indian industries and the various tools of management are not being used adequately, the subject of industrial relations is still lacking in its due recognition. The early usage of "personnel management" dates the industrialisation of the country after Independence, i.e., 1947. During the Second World War and post-war period there was a great strain on the shattered economy of the country. Researches were conducted to increase the efficiency of the workers and to know what factors affected the human behaviour. Hence, all the factors of production being already tried, an important area of human activity was given the first priority affecting the efficiency and production of the enterprise. As early as 1931 Royal Commission on Labour recommended in very equivocal terms that for proper handling of the employees in various industries, mines, and plantation and other places of work labour officer should be appointed. It was the beginning of the discipline of industrial relations in India.

Basically Indian industrialists and business community do not give any prominent place to management and discard the indispensable function and utility of industrial relations. Such indifference on the part of employers to accept the due place to industrial relations, the absence or nominal existence of the labour unions in country have adversely reflected upon their efficiency. Government being busy in other problems of law and order in the country is playing a passive role in the industrial policy of the country. Poverty of the masses and their

illiteracy have further hindered the development of industrial relations in the country.

The changing economy of the country posed a number of problems of industrial relations such problems arose due to a shift from agriculture to industry, movement of labour from rural areas to industrial towns, division of labour, change in technology, modernisation of industries, rational use of labour and raw materials excessive competition and a continuous effort towards finding out improved means of doing things at a reduced cost. These problems were crucial to the working class as they created the problems of human behaviour, employee involvement, satisfaction, frustration, job security, loyalty, morale, labour turnover, organisation structure, control, effectiveness of authority, leadership, appraisal of performance and effectiveness. The problems related to industrial enterprises, in a rapidly changing economy with a considerable imbalance between social values and technology, hence the area of industrial relations in India was more complicated and more wanting UNESCO studies in India show that:

"99 per cent of the villagers, who migrate to the towns do so out of poverty and because of the pressure on the land caused by the traditional family system and laws of inheritance."⁶

6 "Personnel Management In India." Compiled by Indian Institute of Personnel Management, Asia Publishing House, London, 1961, pp. 3-4.

Decidedly it would affect their involvement and interest in the work they accept to do. How long they will stick to the job would be a matter of labour turnover?

Gradually the things moved in favour of industrialisation and Government felt more concerned and more interested in solving the labour problems more amicably to the satisfaction of the working classes.

Government Rules under Section 19 of the Factories Act make it clear that the statutory welfare officer is primarily concerned with industrial relations. There is one weakness in getting the things done through legislation. As good industrial relations does not mean government interference through legislation one can have legislation but one cannot force men to cooperate. According to the Factories Act 1948 Section 49 of which required the appointment of welfare officers in companies employing more than 500 workers.

After Independence and with active government participation in business, the industrial relations problems are being studied in their real perception, but adequate measures are not being taken to solve them. In 1955 a memorandum submitted to Government by the Indian Institute of Personnel Management stated that the ideal would be to treat "welfare" as a distinct item under the major head "Personnel management". The Government's Industrial Policy Resolutions, particularly that of 1956 and the resolution of the Lok Sabha dated 21st December 1954 have set India on the path towards "Socialist pattern of society".

The term "Social Justice" appeared in Labour Appellate Tribunal decisions in 1951 and 1952. The usage of terminology like Standing Orders, Tripartite Conventions, Joint Consultation, Works Committees, Grievance Settlement Procedures, Collective Bargaining etc., is the outcome of industrialisation on a large scale and with a great speed. There is still vagueness about the concept of industrial relations in India -- its definition, function, scope and usefulness. A prominent Indian Civil Servant with his more than thirty years service expressed as follows:

"In my view, firstly, its responsibility is to ensure the attainment of the major objective of that organisation. It must contribute to making the investment productive, and, therefore, anything that makes the investment of the enterprise Secondly, I visualise, a personnel management department responsible for inter-relationships between trade unions and management, between workers and management."⁷

There are not only the relations that make the subject matter of human behaviour but much more than that is laying greater emphasis to certain pre-requisites, i.e., the defining of the inter-relationships within the organisation structure, recruitment and selection of the personnel, subject to the Taylor principle: "Right man for the right job", training of the personnel, compensation, motivation, appraisal of the relations and performance and taking corrective measures to eliminate the difference between the pre-established and achieved goals.

THE LABOUR UNION MOVEMENT IN INDIA

The labour union movement has been very slow in India - unsheltered by management and un-protected by law. To a considerable extent the

⁷ S.S. Khanna, "Government In Business", Asia Publishing House, Bombay, 1963, pp. 297-298.

history of labour union movement was affected by the British influence, traditions, conventions and law. In Common Law trade unions were illegal combinations, having no corporate personality or legal entity. Similarly unions in early days were considered as illegal associations of workers, criminal conspiracies, power blocks, etc. The employers suspected them and refused to recognise any such organisation of workers. The workers forming such associations were blacklisted, tortured and finally expelled of the enterprises. The law did not protect them and favoured the employers. The Madras Textile Labour Union, under the presidentship of B.P. Wadia, a strike was arranged. The Managing Agents of the Buckingham Mills sued Wadia and other members of the Union in 1920. The Madras High Court regarded the trade union as an illegal conspiracy and granted injunction pending the disposal of the suit. The use of injunction was detrimental to the interest of workers. Like India, the first recorded labour case in the United States was the Philadelphia Cordwainers case in 1806. The passage of the Sherman Antitrust Act of 1890, strike was a conspiracy in restraint of trade and hence a violation of the Sherman Act. The passage of the Indian Trade Unions Act in 1926 provided for the registration of trade unions and conferred upon their members seeking union objectives, immunity from civil and criminal action.

The poverty of the workers, poor working conditions, low wages considerably long hours of work, autocratic and paternalistic attitude of employers, absence of medical facilities and fringe benefits compelled

the working classes to organise themselves to have a strong voice to influence the decisions of management and to protect themselves by asking high wages, better working conditions, fewer hours of work and greater amenities. The workers formed labour unions in order to have a strong voice. The efforts of the labour unions to help their members were thwarted due to weak positions of the unions, the poverty and illiteracy of the union members, the increasing backlog of unemployed workers, the indifference of the employers to improve the conditions of the employees and to recognise the labour unions and the inadequacy of labour legislation to promote a healthy labour unionism in the country.

After Independence and after the introduction of a new industrial policy for the rapid growth of economic development. The implementation of Five Year Plans, rapid advancement in science, technology, administration, industrial psychology and other social and behavioural sciences, the effect of monetary and fiscal policies over the prices, wages and cost of living caused great hardships to the workers and they started to organise themselves into unions. There would not have arisen any need for unionism if the employer had acted benevolently. Professor E. Night Sakke of Yale University has sometimes asked of his students:

"If we could assume that all workers and management people are and have been successively since 1800, men of good will and reasonableness committed not only in philosophy but in action to recognising the dignity of men as human beings, would there have been and would there be any need and place

for unions in American industry."⁸

Political parties affected the formation and functioning of the trade unions in India, i.e., the Communist controlled All India Trade Union Congress (AITUC), National Trade Union Congress -- Congress influenced labour union. Hind Mazdoor Sabha -- an organ of the Praja Socialists Party. According to the manifesto of the Hind Mazdoor Sabha its objective is to establish a socialist state in the country in which the worker shall have an opportunity for full development of his mental and physical personality. Other objectives of the organisation are as follows:

1. A living wage to all working people.
2. Guaranteed work to every citizen.
3. Introduction of full social security and medical care.
4. Provision of adequate leisure in the form of reasonable hours of work and holidays with pay.
5. Adequate and proper housing facilities.
6. Introduction of free and compulsory education and facilities for vocational guidance.
7. Effective recognition of the right of collective bargaining.

As a matter of fact whatever has been included in the manifesto of Hind Mazdoor Sabha has been a dream and nothing constructive has been achieved so far.

⁸ Neil W. Chamberlain, "Labour" (McGraw-Hill Book Company, INC, New York, 1968), p. 33.

The All India Trade Union Congress, from its very inception worked on the foot steps of Trades Union Congress in the United Kingdom. It exerted to protect the interests of the workers -- economic, social and political. The political influence and absence of quality leadership affected the growth of strong trade unionism in the country. The union leaders who were mostly politicians, involved in various unions and over-burdened with their political assignments, failed to render any constructive service to the cause and expansion of the movement in the country.

It is necessary to have an idea of the working of the labour unions, their membership, financial stability, quality of leadership, labour legislation, the machinery to deal with the disputes between the employees and the employers and what efforts are being made by the employers to restore cordial relations between the two.

REGISTERED TRADE UNIONS AND MEMBERSHIP⁹

	<u>Central Unions</u>		<u>State Unions</u>	
	<u>1955-56</u>	<u>1963-64*</u>	<u>1955-56</u>	<u>1963-64*</u>
Number of Unions on registers	174	506	7,921	11,194
Number of Unions submitting returns	105	390	3,901	6,791
Membership of Unions submitting returns	2,12,848	7,19,896	20,61,884	32,00,512

9 India 1966, Publications Division, Table 206, Government of India, New Delhi, p. 383.

* Provisional. Does not include figures for Assam, Jammu and Kashmir, Manipur and Andaman and Nicobar Islands.

The figures for 1963-64 reveal that membership of the unions submitting returns was approximately 3.2 millions. Regarding the power of the unions the fact may be kept in view that out of total labour force of over 140 million only about 3.2 million are organised in trade unions 3.2 million or 2.3 per cent of the total working force is a negligible figure and that is why the unions have failed to exert any influence over the employers.

The Indian unions claim for a minority of employees for their membership. The organised membership is also subject to criticism and vices, as often it is charged that the unions consist of dummy names of members who have not paid their dues as long as two years. An example can be cited of the Tata workers union at the Tata Iron and Steel Company, Jamshedpur. There was a fight between two rival unions in 1963. One union challenged the vitality of union elections in Munsif's Court contending that the fully paid up membership of the union was only 8,000 and 17,000 members had not paid up the dues (subscriptions) for last two years. The charge was not denied by the union.

ABSENTEEISM & LABOUR TURNOVER:

Absenteeism is a common characteristic of Indian labour. Most of the organised industries in corporate sector -- private as well as public -- experience an absenteeism ranging between 10 and 13 per cent approximately. Absenteeism in itself is an indicator of lack of

interest of the employees in their respective jobs, the degree of loyalty, sense of responsibility and involvement in the smooth working of the enterprise. Absenteeism affects the economic condition of the employees, the working of the enterprise as the absence of a worker from his job dislocates the working of the concern. It may affect the coordination and often if the replacement is not available, the entire unit may suffer. On an average allowing two per cent for absenteeism, an enterprise without any additional effort or investment would be able to produce 10 per cent more and its cost of production also would come down. The result would be to have more profits, an additional share of allowances to the employees, and the consumer would get the same product at a lower price. Such a multi-dimensional gain can be obtained through eliminating absenteeism. The following statistics reveal the position of the key industries of India:

Absenteeism in Manufacturing Industries in India

(Percentage of man-shifts lost to man-shifts scheduled to work)¹⁰

Period	Engineering Industries		Telegraph & Workshops	Iron & Steel Industry		Ordnance Factories	Cement Factories
	Bombay	West Bengal	All India	All India	All India	All India	All India
1955	15.6	12.8	12.1	11.4	12.4	11.7	
1956	14.5	12.5	12.9	11.6	12.4	12.2	
1957	14.6	12.5	12.9	12.7	12.1	12.5	
1958	14.5	12.2	12.3	14.0	11.6	11.9	
1959	14.5	12.3	13.3	12.2	11.4	13.7	
1960	13.9	10.3	12.8	12.0	10.9	13.4	
1961	12.7	13.3	13.8	12.5	10.9	13.1	
1962	13.9	13.2	13.4	12.3	9.7	13.4	
1963	13.4	12.9	12.1	11.5	9.5	11.5	

¹⁰ The Times of India Directory and Year Book, 1965-66, Bombay, p. 366.

The figures of absenteeism in key industries have gone up as high as 14.5 per cent and that for the iron and steel record for 14 percent. The break in service due to absenteeism decreases the interest of the employees in the work and affects the industrial relations. Hence it is essential that a greater sense of responsibility be inculcated in the employees to eliminate the problem.

Absenteeism causes great dislocation of work and saps the interest and loyalty of the workers. Besides absenteeism other problems that worsen the relations of the employees and the employers are strikes, lockouts, work stoppages, go-slow tactics, grievances and disputes etc.

STOPPAGES OF WORK¹¹

Year	No. of Stoppages	Number of workers Involved	Man-days Lost
1939*	406	4,09,189	49,92,795
1947	1,811	18,40,748	1,65,62,666
1948	1,259	10,59,120	78,37,173
1954	840	4,77,138	33,72,630
1962	-	-	61,00,000
1963	-	-	33,00,000
1964	-	-	73,00,000

To check the problem of work stoppages it is essential that the various factors that cause indifference between the employers and the

11 V.V. Giri, "Labour Problems in Indian Industry" (Asia Publishing House, Bombay, 1965), pp. 84-86.

* Figures from 1962 to 1964 -- Labour and Employment Ministry's Annual Report, dated April 8, 1965, quoted in Asian Recorder May 7-13, 1965.

employees must be solved in a democratic way, giving due weightage to the element of human factor. The basic fact that the discipline of industrial relations has not been developed in the country and that its pre-requisites have not been accomplished so far, is the main root of conflict and bad industrial relations in the country. To refer a few of the anomalies the following may be cited:

1. Absence of standardisation in procedures of recruitment and selection.
2. Absence of a well developed wage and salary administration.
3. Absence of defining the job descriptions and job specifications.
4. Absence of fair labour policy.
5. Absence of fair wages, incentives, fringe benefits and cordial working conditions.
6. Absence of well-developed and strong trade unions in the country.
7. Absence of an adequate machinery to settle the labour disputes.
8. Absence of adequate labour legislation to protect the democratic and constitutional rights of the employees.
9. Inadequacy in the implementation of labour legislation.
10. Illiteracy of the working classes and vulnerability of labour unions.

Absence of standardised jobs and wages result in labour grievance. Employees with similar qualifications and experience but getting different scales of pay will result in the formation of an informal organisation. It is definitely to create the problems of labour turnover, shattering the morale of the employees.

The flight of technically qualified and experienced personnel from public to private enterprises became a serious problem and invited the attention of the Government of India to find out the reasons and remedial measures to check the flight. The Engineering Personnel Committee (1956) as well as the Second Pay Commission (1959) were greatly concerned with the situation.

Dr. H.K. Paranjape in his report entitled "The Flight of Personnel In Public Undertakings" writes as follows:

"It is true that due to imperfections of the labour market, there is no trend towards uniformity of real wages for similar kinds of work all through the economy ... if real income and conditions of service in these industries tend to be less attractive than those in other industries and therefore there is significant outward migration of personnel from these industries, this can be a matter of alarm requiring remedial action."¹²

Justifying the views and fears of Paranjape there was a problem of migration of technical personnel in public enterprises such as Integral Coach Factory at Perambur, Air India International, Hindustan Machine Tools, Hindustan Steel, Ranchi, the Mysore Iron and Steel Works etc. Even at Hindustan Steel, Ranchi, there was a wide spread feeling of dissatisfaction. Though most of the engineers had entered into an agreement to serve for a period of five years after the

12 H.K. Paranjape, "The Flight of Personnel In Public Undertakings". A Study Report - Indian Institute of Public Administration, New Delhi, Jan. 1964, pp. 5-6.

completion of the training, there was a wide spread feeling of dissatisfaction and many of them were desirous to go elsewhere after completing the period of agreement and some^{of}/them did so!

The problem arose due to the fact that the scales of pay, working conditions, chances of future development were far better in new enterprises than those in old ones. "Pay scales adopted for similar categories are lower in the older enterprises as compared to the newer ones." The foreign controlled concerns like I.C.I., Burnash Shell, Stanvac and Hindustan Lever pay salaries to their staff -- officer staff or management staff that they pay in their concerns abroad. In TISCO a graduate apprentice on absorption gets a salary of over Rs. 700 (inclusive D.A.) while that in public undertaking is much less.

Recommendations of the Planning Commission in the First Five Year Plan in relation to wages were as follows:

1. Wages in public undertakings should not be less favourable than those prevailing in private enterprises.
2. Permanent wage boards with tripartite composition should be set up.
3. Efforts should be made to find suitable technical experts within the country, as also from foreign countries, to examine the question of wages, profits and terms and conditions of payment and to lay down norms and standards for the determination of wages and bonus.
4. Standardisation of wages should be accelerated and extended to as large a field as possible.
5. A scientific assessment of relative work-loads in different occupations and industries should be undertaken.

6. The recommendations made by the Dearness Allowance Committee, namely, that 50 per cent of dearness allowance should be merged with basic wages in respect of Central government servants, should be extended to workers in the private sector also.
7. Full and effective implementation of Minimum Wages Act should be secured and a limited beginning made in the fixation of minimum wages for agricultural workers."

"In regard to most of these recommendations of the Commission nothing tangible has been done so far."¹³

LABOUR LEGISLATION

Labour legislation, in so far as the creation, maintaining and promoting the industrial relations is concerned, plays a prominent role. It protects the rights of the workers as well as the employers in such a way that no party may feel aggrieved. In a developing economy, historically the rate of labour legislation has been pro-employer and the working class has exerted considerably with great sacrifices. After the First World War of 1914-18 a great change occurred to the labour movement in States. The Norris La Guardia Act 1932 known as the Anti-injunction Act curbed the injunctions. Even the decisions of the Supreme Court were also modified. In *Thornhill V. Alabama* in 1940, the decision of the Supreme Court said that,

"In a labour dispute, management has adequate methods of having its statements made public. It has the necessary means of purchasing advertising in the newspapers. It

13 V.V. Giri, "Labour Problems in Indian Industry" (Asia Publishing House, Bombay, 1965), p. 223.

can buy radio-time. It can distribute leaflets making clear its position. But the labor union does not have the means or the methods of making known its view point to the community or to the employer, usually lacking the financial resources to do so. So the employees have to fall back on simpler means of publishing their position. Picketing is the principal alternative method - the sandwich signs carried by pickets in front of the plant gates advertising the fact of a labor dispute to the employees and to the public. Now, said the court, this is a form of communication, it is a form of speech, and as such is entitled to all the constitutional protection of the First Amendment.¹⁴

Lot of struggle had to be made by the labour unions to get labour legislation to protect the rights of the workers regarding the wages, working conditions, settlements of disputes and other matters relating to the employees.

LABOUR LEGISLATION IN INDIA

Legislation designed to ensure "social security" is of recent origin in India. The Industrial Law received due attention only after Independence.

"The previous labour laws were mainly concerned with regulating trade unions and resolving industrial disputes - previously the scope of disputes was narrow (union and management only) now it has become wider - any dispute between management and an individual worker (trade disputes in a narrow sense)... today "industrial disputes" cover disputes between employers and workmen whether in any business, trade, undertaking, manufacture, calling etc."¹⁵

14 Neil, W. Chamberlain, "Labour" (McGraw-Hill Book Company, INC., New York, 1956), p. 26.

15 R.P. Rustamji, "The Law of Industrial Disputes in India" (Second Revised Edition, 1964), p. v.

The last decade has received greater emphasis on industrial relations in India.

In a developing economy, historically the role of labour legislation has been pro-employer and the working class has entered considerably with great sacrifices. In both the countries of U.K. and the U.S.A. unions were regarded as unlawful. After the First World War a great change occurred to the labour movement. The Norris LaGuardia Act 1932 known as the Anti-injunction Act curbed the injunctions. Even the decisions of the Supreme Court were also modified. In *Thornhill V. Alabama* in 1940, the decision of the Supreme Court said that,

"the individual unorganised worker is commonly helpless to exercise actual liberty of contract .. (It) is necessary that he have full freedom of association ... (He) shall be free from interference, restraint, or coercion of employers .. in self or organisation or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection."16

Gradually the unions succeeded in influencing the Government and legislators to understand their views with great sympathy and concern. A better machinery was provided for dealing with industrial disputes. In early days, i.e., 1920 the Madras High Court regarded the trade union as an illegal conspiracy. The passage of the Indian Trade Unions Act in 1926 provided for the registration of trade unions but the Act did not make any provision for the settlement of

16 Arjun, P. Aggarwal, "Indian And American Labor Legislation And Practices." Asia Publishing House, Bombay, 1966, p. 43.

industrial disputes. The Trade Disputes Act of 1929 provided for the peaceful settlement of industrial disputes. Owing to the Second World War the Act was superseded by the emergency provisions of the Defence of India Rules 81 (A) which prohibited strikes. More restrictions were imposed on the democratic rights of the unions. The Industrial Disputes Act 1947 embodied the compulsory arbitration. The Act was a move to achieve two objectives (i) to ensure the workers a fair return for their services and (ii) to prevent industrial strife. The Act encouraged the settling up of joint labour management works committees in industry.

The Industrial Disputes Act of 1947 prohibited strikes under certain circumstances which led a tribunal to declare unfair labour practices of the employer. Also the Indian Constitution does not consider the right to strike as a fundamental right, and no statute gives the Indian workers the rights that are found in Section 7 and 13 of the NLRA.¹⁷

In the Buckingham and Carnatic Mills case the Supreme Court of India has held that the participants in an illegal strike lose their continuity of service and the corresponding benefits. In a recent case of New India Rayon Mills, the Bombay High Court has declared that there can be no break in service unless there is a prior discharge.

17 National Labor Relation Act of 1935 - re-emphasized the rights granted to labor by the Norris LaGuardia Act.

"As for the workmen themselves, every power which the Government of those days had, and other powers which they could invent, were mobilised to suppress them and to stifle their demands. A change has come to the use of strikes and the legal consequences of such strikes due to considerable changes in labour legislation in the country. The worker on account of his mere participation in an illegal strike does not commit any act of violence or subversive activity, provided the Standing Orders do not specifically lay down the dismissal clause against a participation in strike.

Here prevention of industrial disputes is not the only purpose of cordial and healthy industrial relations. The main aim ought to be to settle the disputes on a voluntary basis and to maintain and promote amity and goodwill between the employees and the employers. The effectiveness of dispute settling machinery depends on how quickly the disputes are settled. It would be essential to evaluate the worth of dispute settlement machinery. The Trade Disputes Act of 1929 was a move to provide a machinery for the prevention and settlement of industrial disputes in India. It empowered the government to refer labour disputes to a board of conciliation or a court of inquiry. But one thing was missing in the Act and that no power was vested in the Government to enforce the findings and recommendations of such bodies. The Act of 1929 was amended in 1930, empowering the government to appoint conciliation officers to mediate and arrange settlement of industrial disputes. Section 81(A) of the Defence of India Rules

empowered the government during the World War II, to refer any trade dispute to conciliation or adjudication, and to enforce the award of the adjudicator. This amounted to more or less to compulsory arbitration. Compulsion in any form is against the philosophy of democratic and enlightened management and checks the development of healthy and cordial industrial relations in the country.

After the cessation of hostilities the Industrial Disputes Act of 1947 combined the investigation and conciliation principles of the 1929 Act with the compulsory arbitration principles of Rule 81(A) of the Defence of India Rules. For the purpose of preventing and settling industrial disputes, the Act provided five institutions:

- i) Works Committee
- ii) Conciliation Officer
- iii) Board of Conciliation
- iv) Court of Enquiry
- v) Industrial Tribunal

The Works Committee consists of an equal number of employer and employee representatives and the Act says:

"It shall be the duty of the Works Committee to promote measures for securing and preserving amity and good relations between the employers and workmen, to that and to comment upon matters of their common interest or concern and endeavour to compose any material difference of opinion in respect of such matters."¹⁸

The area of activity of the Works Committee is so vague that its functioning becomes ineffective. The Works Committee is not allowed to discuss, discharge complaint or such other matters as are

18 R.F. Rustamji, op. cit., p. 136.

covered by the Standing Orders. The Committee's function is almost advisory and no legal obligation is imposed upon the employer to, implement the Committee's recommendations.

CONCILIATION OFFICER

Under Section 4 of the Act state governments have been empowered to appoint as many conciliation officers as may be needed. It is mandatory upon the Conciliation Officer to hold conciliation proceedings whenever it is necessary in relation to dispute in a public utility. A notice under Section 22 of the Act is filed. He cannot compel any party to work according to his instructions. If the conciliation proceedings succeed in settling the dispute then the officer is required to send a report to the government concerned within fourteen days of the commencement of the proceedings. The report of the conciliation officer will consist of:

- a) the steps taken by the officer to ascertain the facts and circumstances of the dispute.
- b) the steps and circumstances leading to the dispute, and
- c) the reasons for the non-settlement of the dispute.

If the Conciliation Officer fails to settle the dispute the dispute is referred to the Board of Conciliation, the Court of Inquiry, or the Tribunal.

The difficulty in the formation of Works Committees or the settlement of the dispute through the Conciliation Officer is the

drawback of non-availability of qualified representatives of the workers.

COURT OF INQUIRY

1) The appropriate Government may, as occasion arises by notification in the official Gazette constitute a Court of Inquiry for inquiring into any matter appearing to be connected with or relevant to an industrial dispute.

2) A Court may consist of one independent person or of such number of independent persons as the appropriate Government may think fit and where a Court consists of two or more members, one of them shall be appointed as the Chairman.

3) A Court having the prescribed quorum may act notwithstanding the absence of the Chairman or any of its members or any vacancy in its number.

Provided that, if the appropriate Government notified the Court that the services of the Chairman have ceased to be available, the Court shall not act until a new Chairman has been appointed.

BOARD OF CONCILIATION

If the conciliation officer is unsuccessful in his efforts to settle the dispute he reports to the appropriate government. Upon the receipt of the report of the conciliation officer the government will refer the dispute to the Board of Conciliation, the Court of Inquiry, or to the Industrial Tribunal or may declare the case as closed. The inherent defects, difficulties and drawbacks of conciliation

are found even in the Board of Conciliation. The influence of the employers, the weakness of the working classes -- economic, social and political etc. and the tender-mindedness of the government officials, administrators and executives all in a composite form affect the effectiveness of the statutory bodies.

COURT OF INQUIRY

The Court of Inquiry is also an ad hoc body and consists of one or more persons appointed to it by the appropriate government for each case. Its judicial powers are practically the same as those vested in the Board of Conciliation. It can inquire into matters "connected with or relevant to an industrial dispute", but not into the dispute itself.

INDUSTRIAL TRIBUNAL

Under Section 10 of the Act, any dispute, actual or threatened, which has not been resolved through negotiation or conciliation proceedings may be referred to the Tribunal for adjudication.

Usually the tribunal is constituted for a specific area to which a particular dispute may be referred. An amendment in 1956 to the Industrial Disputes Act of 1947 divided the Industrial Tribunal into three categories:

- a) Labour Court
- b) Tribunal and
- c) National Tribunal

All the three categories of legal bodies are constituted on the same footing. The division is based mainly on the nature of the dispute and the industry involved. Labour Courts and Tribunals are, constituted by the state governments while the National Tribunal is constituted by the central government. As all these bodies have recent formations they are not rich in case decisions and the officers are lacking industrial knowledge, they take too much time to reach the settlement of dispute. By 1950 two new bills had been drafted, viz. Labour Relations Bill and a Trade Unions Bill. The bills reinstated 1947 amendment provisions for compulsory recognition of unions and the basic protections against unfair employer practices. Collective bargaining was made compulsory for both employers and the unions. No action was taken on the bills and they lapsed along with Parliament prior to the 1951-52 national elections. The First Five Year Plan failed to announce any specific labour policy. Though the right of the worker to associate, organise and to bargain in a collective capacity - collective bargaining, was duly recognised, but on account of imbalance between the discretionary powers of the employers and that of the employees and the complexities of the labour legislation, the workers were deprived of a fair play and un-biased action. It was a great hindrance to the creation, maintenance and development of a healthy and cordial industrial relations in the country. Consequently, the collective bargaining, the essential pre-requisite of industrial relations could not work out satisfactorily and the fact was realised by prominent Indian Labour leaders like V.V. Giri, a prominent Congressman and a well-known labour

leader. He objected to the method of government adjudication to such an extent that while pioneering the cause of the working class differences arose between V.V. Giri and the Government of India leading to the submission of his resignation from the post of Labour Minister. His approach was soon referred by the Indian press and became known as 'Giri approach'. Giri believed that legislation along the lines of 1950 bills was necessary to the development of collective bargaining. He secured the tripartite Standing Labour Committee's approval of the principles of the bills. He wanted to get the bills reintroduced in Parliament and his failure led to the submission of the resignation. No doubt is left that Giri was not satisfied with Government's labour policy. In his letter of resignation to the late Prime Minister, Mr. Jawaharlal Nehru, Giri said:

"It has been my fervent wish that the government should be the model employer, inspiring other employers to follow their example. But I have to confess that the possibility of this hope being fulfilled has become remote."¹⁹

The existence of adequate labour legislation to protect the rights of the employees is a must for cordial industrial relations, yet the resort to use labour legislation is a sign of weakness or absence of cordial industrial relations, as the development of better understanding, amity and cooperation between the workers and the employers are the essentials and pre-requisites for industrial relations.

¹⁹ Kennedy, Van Dusen, "Unions, Employers and Government" (Mansukhlal, Bombay, 1966), p. 46.

LEGISLATION AFTER INDEPENDENCE:

According to the Industrial Policy and the idea of a welfare state in the country, several administrative and legislative measures have been taken in the country to improve the conditions of the working classes. A number of Acts have been enacted, with varying degrees of effectiveness due to absence of an adequate base of industrial relations in the country. The main labour laws are as follows:

1. Indian Factories Act, 1948
2. Industrial Disputes Act 1947
3. Industrial Trade Union Act of 1947
4. Limitation of Dividends Act of 1948
5. The Dock Workers (Regulation of Employment) Act of 1948.
6. Employees State Insurance Act of 1948
7. The Coal Mines Provident Fund and Bonus Schemes Act, 1948.
8. Minimum Wages Act 1948
9. The Plantation Labour Act of 1951
10. Mine Workers' Consolidation Act of 1952
11. Employees Provident Fund Act, 1952
12. The Workmen's Compensation Act 1923 as amended 1962
13. Industrial Employment (Standing Orders) Act, 1946 as amended in 1961, 63 (Model Standing Orders)
14. Industrial Disputes Act as amended in 1963
15. Article 19(1)(c) of the Indian Constitution - guarantees the citizens the right "to form associations or unions" which is interpreted to include the right to form trade unions.

After independence the new labour policy of the government of India was to keep the labour and capital contented. The mode of management started changing from autocracy to democracy and as such efforts were made to introduce collective bargaining and voluntary arbitration for settling the disputes. Consequently the machinery, methods and procedures were introduced to achieve the objective of better industrial

relations. Joint consultation, labour participation in management, works committees were the measures taken to achieve the objective. But from beginning of the introduction of all such steps as mentioned above to create cordial relations between the employers and the employees till now as indicated in the draft outline of the Fourth Five Year Plan the Government Labour Legislation machinery has not achieved success considerably.

COLLECTIVE BARGAINING:

After Independence government's main concern was to promote better relations between the labour and employers. Efforts were made to work out on the principles of "Whitley Councils" in England or Collective Bargaining in U.S.A. But the efforts of the government to introduce "Collective Bargaining", "Joint Consultation" and "labour participation in management" have not achieved success due to the absence of pre-requisites for industrial relations viz., existence of strong trade unions, a dynamic leadership, educated and trained labour force, the existence of adequate labour legislation to ensure the application of fair labour practices and managements pre-rogatives and to restrain the use of unfair practices on the part of both the management and employees. The machinery used to promote cordial relations between the employees and the employers have not shown a satisfactory result. The works committees, the joint management councils, workers' participation in management and collective bargaining, all are the part of management tools of Western democratic society with advanced social

political and economic background and a high sense of responsibility.

Indian leadership and government opinion seems to be divided on the value and effectiveness of collective bargaining in Indian industrial areas. Gulzarilal Nanda in a statement before the annual convention of the Indian National Trade Union Congress, May 1950, said that "Collective bargaining is not suited to our socialistic pattern of society. It may be valid for a capitalist economy like the United States and the United Kingdom." Jai Prakash Narain also urged the compulsory arbitration of industrial disputes.²⁰ On the other hand V.V. Giri, regards compulsory adjudication of labour disputes as highly detrimental to the working class. The Industrial Disputes Act does not contain any provision concerning collective bargaining. The Trade Unions (Amendment) Act 1947 was a move to encourage collective bargaining statutorily, but it could not succeed. The Trade Unions Bill 1950 and the Labour Relations Bill 1950 attempted to consolidate all the existing industrial relations laws with provisions for collective bargaining agencies but these measures were shelved on account of political reasons.

Akin to the fate of collective bargaining the wage boards too have failed to function in an effective way. If the decisions of the wage board are not consensus decisions of unanimity then the very functioning of the wage boards is likely to become ineffective.

20 Times of India, July 29, 1960.

The Draft Outline of the Fourth Five Year Plan while discussing the "Labour Policy And Programmes" gives as follows:

"Labour legislation since Independence and agreements arrived at jointly between representatives of workers and employers and the Government proceed from two basic concepts. Firstly, the relationship between workers and employers is one of partnership in the maintenance of production and the building up of the national economy. Secondly, the community as a whole as well as individual employers are under obligation to protect the well-being of workers and to secure to them their due share in the gains of economic development."²¹

The first pre-requisite of the government policy is the labour partnership which means that the workers should share in the ownership of the enterprises and they should also share in their management. The first condition is difficult to become a reality as the financial condition of the workers is too poor to allow them to share in the ownership of enterprises. Secondly it is also difficult as the workers lack in administrative ability.

Under the existing circumstances when the labour legislation has failed to improve the fate of the working classes to a considerable extent, the absence of strong trade unions, the illiteracy and poverty of the workers, the inter-union rivalries, the absence of labour leadership, the increasing backlog of the unemployment in the country are some of the factors that would play a dominating role in decision-making and the use of authority in an enterprise.

20 Government of India, Planning Commission, The Draft Outline of the Fourth Five Year Plan, New Delhi, 1966, p. 286.

USE OF AUTHORITY AND DECISION-MAKING

As discussed previously industrial relations exert a dominating influence on the willingness of the employees to implement the industrial policy. Good industrial relations means full cooperation and support of the employees to achieve the objectives of the enterprise and vice versa. The effectiveness of the authority is also influenced by industrial relations. The use of authority, however made in the best possible way will have the least effectiveness if the employees are dissatisfied due to the prevalence of poor industrial relations. If the orders are accepted by the subordinates, it is said that the authority is having effectiveness. This effectiveness will vary accordingly subject to the nature of industrial relations and the reaction of various ingredients of authority. Therefore, it is necessary to study the use of authority as a means of executive development to increase the productivity.

Authority is the power or command used by the officer over his subordinate to accept his decision. It conditions the behaviour of the subordinate to accept the decision of the officer in charge of the unit. The authority may have different degrees of effectiveness under varying conditions and circumstances. The authority flows from top to bottom according to organisation structure and lines of authority. Therefore, it is necessary to study the use of authority as a means of executive development to increase the productivity.

EFFECTIVENESS OF AUTHORITY

It conditions the behaviour of the subordinate to accept the decision of the officer in charge of the unit. The authority may have different degrees of effectiveness under varying conditions and circumstances. The authority flows from top to bottom according to organisation structure and lines of authority. In unusual circumstances authority may move in different directions revealing the existence of informal organisation. The proficiency and competence of an executive can be judged by examining the effective use of authority, i.e., to what extent the authority is used over the subordinates conditioning their behaviour. In an enlightened management the executive is apt to use democratic means to achieve the objectives and whenever his decisions are communicated to the subordinates they accept them willingly ensuring full cooperation. If differences arise over the acceptance of a decision it is removed with the help of ample discussion and persuasion. However, if democratic means fail to convince the subordinates then finally the authority is used to compel them to obey the command. Such a course would have less effectiveness as it would create indifference and frustration on the part of the subordinates, who would feel humiliated by being conditioned their behaviour in the way desired by the management. It is obvious that proper and timely use of authority will help to enforce the responsibility of the individual to those who wield it, to secure perfection in decision making and to coordinate the over-all activity of management. The officer incharge may like to delegate some of his

assigned authority to his subordinates to use it on his own behalf. In that case the delegated authority functions in the same way as the original one in a formal organisation structure.

The subordinate in the case of both the types of authorities, i.e., the original one as well as the delegated one has got a number of choices to condition his behaviour regarding the acceptance of the decision of the executive or to reject it to implement. The subordinate may be having his own decision and conviction and when the decision of the executive may be contrary to expectations his behaviour would be conditioned in a different way from that when he does not have his own decision or when he does not differ from the decision of the executive. The rational decision will tend to reduce the gap of indifference between the subordinate and the executive incharge. The absence of rational use of authority is likely to affect the quality and effectiveness of authority accordingly, i.e., mis-use of authority, particularly nepotism, red tapeism, dishonesty, organisation politics, absence of well-defined labour policy, the existence of wage and salary differentials, absence of rules of promotion and adequate arrangements for employee training and executive development. Such irregularities would affect the industrial and human relations influencing the willingness to accept the decisions and cooperate with the objectives of management.

The mis-use or irrational use of authority affects the organisation structure and the flow of authority from top to bottom. The

careless executive would fail to use the authority to the best advantage of the enterprise keeping in view all the external as well as internal factors that would be affected by the decision. If the employee feels that the decision imposed upon him will affect him in an adverse way or will cause more harm than good then he would not obey that. On the contrary he would oppose it. The decision may create individual as well as group opposition, consequently the formation of informal organisation. It is extremely difficult to permit the functioning of formal and informal organisations to achieve the basic objectives of management. As the very creation and formation of informal organisation is caused due to mal-administration, causing human dis-satisfaction and frustration. The working of two organisations in different directions will result in the plus minus adjustments, retarding the growth and survival of the enterprise. The learned executive would be conscious of such precarious situation in the enterprise and would never permit, by his action, disintegration and split amongst various personnel of the enterprise. Every decision must ensure a harmonising effect in the organisation as the coordinated and unified action is the way to successful functioning of the enterprise.

The effectiveness of authority is affected by the existence of informal organisation in an enterprise. The informal organisation is not visible like the formal organisation structure where lines of authority are clear and executives as well as the employees know that who is reporting to whom and who is responsible for a specific job. Whenever a wrong decision is taken involving an unfair settlement of a

labour dispute, fixation of unfair wages and salaries, promotion of a wrong person, granting wage and salary differentials to persons having similar qualifications and experiences, permitting similar scales of pay under different working conditions -- an easy job and a difficult task, pleasant working conditions and working under extreme temperature, a high degree of safety and a dangerous work, cause labour dissatisfaction. Whenever the workers are dissatisfied due to unfair practices and unfair management pre-rogatives they are disunited and waste their energies in making complaints and representing their cases to managements to get their due share of wages and salaries. The only way to overcome such state of affairs is to see that the basic pre-requisites of industrial relations have been provided for. A well-defined labour policy based on fair principles of management, existence of wage and salary administration to deal with the problems of fixation of wages and salaries removing the wage and salary differentials making changes in the load of work accordingly. Keeping the channels of communication open both ways will crush the unfounded rumours, the main cause of giving birth to informal organisation. Workers' participation in management, joint consultation, collective bargaining, and a satisfactory arrangement to deal with labour disputes will help to greater understanding and cooperation between the employees and the management withering the survival of the informal organisation. The absence of a satisfactory mechanism for the settlement of disputes, the ineffectiveness of labour legislation, vulnerable condition of the workers and the indifference of the employers to give a due place to industrial relations are some of the causes of misuse of authority in

Indian industrial enterprises and the use of authority would be greatly influenced if the basic pre-requisites of industrial relations are existent. A high sense of responsibility on the part of the employers as well as the employees will help to raise the morale of the employees who would feel pleasure in extending full support and cooperation to work with management personnel to achieve the objectives of the enterprise. The management would be most careful to make the right use of authority while the employees would also do their best to give least resistance to the management decisions. Such a peaceful co-existence on the part of the management as well as employees will help to grow the enterprise, and to increase the productivity of the employees.

DECISION MAKING

The most difficult part of the functions of an executive is that of making the decisions. If the decision has been made carelessly without any relation to the availability of human and material resources, technical know-how, capacity of the machines, quality and availability of raw materials, storage facilities, managerial skill, need and availability of financial resources, there will be imbalance between formulation of policy and its implementation. Besides internal factors there are a lot of external variables that affect the making of the decisions and an experienced and competent executive would give greatest heed to study all the possible internal as well as external factors that affect the making of decisions.

The decision making is based on the availability and accuracy of necessary information. The quality of the decision is the joint reflection of the administrative skill, the managerial competence, advisory services, and the extent to which the employees cooperate with management to achieve the objectives of the enterprise. Decisions pass through various stages of employee reaction like appreciation, acceptance, non-cooperation, indifference, rejection, opposition and resentment. All such reactions are the outcome of different adjustments of human behaviour concerning the management and employees. The multiple effect of positive and negative reactions caused due to a certain decisions of an executive will reduce or widen the gap between the management and personnel of the enterprise. The greater the indifference or wider the gap between the management and employees less are the chances of amity and cordial relations between the two. Utmost care is required to see the existing conditions in the enterprise, the market mechanism, government intervention through labour legislation, the labour market and international competition. Each of the above mentioned factors will exert a considerable discretionary influence on decision-making authority and ability and violation of such forces will render the decisions ineffective and will defeat the very purpose of the organisation.

To facilitate the discussion over the art and science of decision-making it would be convenient to deal with internal and external factors separately. The general principle or the main concept

of the formulation of the policy is that which can be judged from the cost element point of view. Usually the purpose of an industrial enterprise is to maximise the profits with the best possible utilisation of the existing resources of men and material.

"It is quite generally conceded that managers, as a group, are among the most important leaders of our times. Their decisions, their courage and foresight, the skill with which they carry out their responsibilities have a profound effect on the lives, happiness, and material well-being of all people in every land."²²

What makes an effective decision is the crux of all management problems. That decision, without any doubt is supposed to be the best decision which utilises all the existing resources to get the maximum return and which succeeds in getting the highest degree of personnel support and cooperation and that any alternative decision would result to cause resentment or non-acceptance of the decision by the employees, thereby reducing the loyalty and cooperation of the workers. It would affect the quality and quantity of work and the operational cost too. Therefore, one best decision under the existing circumstances is the most essential function of the executive. The necessary procedure and techniques of decision-making are as follows:

Collection of Information:

Information is the essence of decision-making. More accurate, detailed and timely information will help the executive to make a decision. If the executive is without relevant and pertinent information, then he would be working in darkness and there can be no reliability, or

22 H.B. Maynard, "Top Management Handbook", McGraw-Hill Book Company, INC., New York, 1960, p. vii.

efficacy of the decisions which have been made without any study of the existing conditions and resources.

A decision can only be taken when the related information is available, e.g., a manufacturing department before ordering to manufacture a new product would be careful to know the following:

1. Nature of the market
2. Nature of the product
3. Capacity of the machines
4. Availability of raw materials and financial resources
5. Storage capacity
6. Nature of the demand -- perennial or seasonal
7. Specific share of business of each enterprise, percentage-wise
8. Pricing policies of various dealers
9. Research facilities
10. Channels of distribution
11. The potential manufacturers
12. Technical know-how
13. Chances of success based on factual data
14. The volume of business to begin
15. Future variations of business

The necessary information after being collected would be duly classified and interpreted. The executive concerned with would use the information while making decisions. Each and every member of the organisation has to contribute something to decision-making so that the various employees of the enterprise may feel that they have rendered valuable services and that the necessary information may reduce the possibility of making wrong decisions, hence the quality of the decision will also be improved. A wrong and imposed decision would cause labour indiscipline and absenteeism.

"The visitor to Indian industries, particularly in the cotton textiles and jute industries, is struck by the amount of loitering which he sees in the mill yard."²³

Any area of management activity from planning to execution regarding manufacturing or distribution decisions have to be made and frequently several of the decisions made ^{by} men of skill and experience are not accepted by the personnel of the enterprise. They dislike, resent them and often refuse to execute. Administrative problems arise due to wrong decisions, ill-timing and unsuitability of place. In that relation the qualities of the man incharge of decision making horizontal and vertical specialisation, a compromise between judgment of value and facts, are also essential that condition the quality of decision-making and the degree of acceptance of the decision.

EXPERTISE IN DECISION-MAKING

The quality of the decisions made is very important to influence employees to accept them. The executives entrusted to make decisions are men of expert knowledge, skill and experience and decidedly their decisions are far above that of the other personnel of the group. The auxiliary abilities that would help an executive to command respect and loyalty of the group would be intelligence, originality, receptiveness, personality, initiative, tenacity, human understanding of the group and courage. The rare combination of the basic and secondary characteristics contribute to the development of the executive. The employees

23 Charles A. Myers, "Industrial Relations In India" (Asia Publishing House, Bombay, 1950), p. 82.

accepting decisions the above mentioned repercussions can be controlled satisfactorily. Secondly, the operating employees may be imposed decisions reached somewhere else in the organisation. Such decisions will have expertise, yet it is also possible that if the decisions are made in haste and carelessly they may not be accepted.

"In an event, if it is attempted to carry authority beyond a certain point which may be described subordinate's 'zone of acceptance', disobedience will follow."²⁴

Finally the inevitable conclusion of the above study is that improved industrial relations enhance the effectiveness of authority and restore cordial relations between the management and the employees. The executives under such conditions are in a better position to make expert decisions, both horizontally as well as vertically, subject to the existing administrative situations and circumstances. The Indian industries in general and the public sector in particular lack in industrial relations which in turn is sadly reflecting in their efficiency. They have failed to achieve the citizens satisfaction and have sapped the workers. Their impact on the use of authority and decision-making is highly depressing.

24 Charles Barnard, "The Functions of the Executive" (Cambridge, Harvard Univ. Press, 1938), p. 169.

Chapter - VII

EXECUTIVE DEVELOPMENT PROGRAMME AND INDUSTRIAL RELATIONS **IN H.S.L., RANCHI**

In the previous chapter the analysis of industrial relations has revealed that the effectiveness of authority largely depends upon the cordial relations between the management and the employees. The executives under such conditions are in a better position to make quality decisions both horizontally as well as vertically, subject to the existing administrative situations and circumstances. The Indian industries in general and the public sector in particular lack in industrial relations which in turn are reflecting adversely in their efficiency. These enterprises, as a consequence, have failed to achieve the citizens' satisfaction and have lowered the workers' morale. How far such relations are depressing the executive development programmes are studied, in the following pages, with the help of the case study of Hindustan Steel Limited? A comparative study of the executive development programme and industrial relations of the Tata Iron and Steel Company Limited, Jamshedpur and other private enterprises has been made for an appraisal of the existing arrangements at H.S.L.

Needless to mention that the nature and methodology of executive development programmes are subject to the need, availability of financial

resources and technical know-how. As a whole the system, to a considerable extent, is affected by the quality of manpower, type of economy and the stage of industrialisation in the country. The evolutionary process of industrialisation in the country needs a change from within to foster the ground for executive development. The transition of our economy from agriculture to industry, demands a change in the pattern of education. The development of science and technology must go hand in hand. There is a close relationship between the quality of the human factor and the facilities provided for the executive development programme. The quality of human factor can be enhanced through proper selection of trainees for the executive development programmes.

RECRUITMENT AND SELECTION

The science of recruitment and selection of employees has not found its roots in India. No scientific and rational techniques are used to evaluate the worth of candidates required for the job. Candidates permissible to apply for the posts of executives and supervisory personnel are the graduates of all disciplines. Since no pre-requisites are required for the posts the university degrees in management have not received any preference. Hindustan Steel Limited has also not put any restrictions on the candidates who do not have any background of the science of management and administration. The repercussions of such a policy are felt in the quality of leadership (see Appendix 'A') executive talents and ultimately in the efficiency of the organisation.

The application blank does not expose leadership qualities at school, college or university level as no information has been asked whether the candidate held the position of a leader in games, sports, class, conference or discussion etc. The leadership qualities can be easily traced by group activities at educational levels and would be of great significance in the selection of candidates for executive positions. Besides leadership qualities, emotional stability is also needed for an executive to make decisions without being emotion-conditioned. A careful study and analysis of the educational qualifications, subjects studied, positions of leadership held in class, sports, debates and conferences would be helpful in this respect. Information required under the heads of religion, scheduled caste, state, is imbalanced and would not help to promote a healthy organisation and cooperation but would tend to create informal organisation. What is needed is the specific mention of the subjects studied in college or university.

After screening out the application blanks the next important phase is that of selection. All the applications received by the Hindustan Steel Limited are screened out in order to call the right candidates for tests and interview. The candidates applying for supervisory and executive positions are examined in English and General Knowledge and finally they are interviewed. The interviewers are from the universities, head office and also experts from outside. The interview duration lasts between 15 and 40 minutes subject to the

interest of the board and the quality of the student. After selection the candidates get training for a period of one and a half years.

The recruitment and selection at Hindustan Steel Limited, Ranchi is of a very elementary nature. The use of scientific methods of discovering the managerial talents have not been properly used so far. Recently due to the establishment of the Training Institute of Management¹ and the plantwise training arrangements at Rourkela, Durgapur and Bhilai it is expected that the qualities of leadership will be developed amongst the employees.

Before the establishment of the Training Institute of Management at Ranchi the training facilities were provided at the Tata Iron and Steel Company Limited, Jamshedpur and the Administrative Staff College, Hyderabad. The facilities provided even at these places were inadequate and remote. There has been dearth of technical know-how, administrative skill and managerial ability as is evident from the following statement made by the Prime Minister in the Parliament:

"Government would not object to the employment of non-Indians in posts requiring technical skill and experience, when Indians of requisite qualifications are not available, but they attach vital importance to the training and employment of Indians for such posts in the quickest possible manner."²

Government's acceptance to employ foreign technicians and executives due to the non-availability of such personnel carried an

1 The Training Institute of Management, H.S.L. Colony, Ranchi, was started in 1962.

2 Carus, E.M., "Essays In Economic History" (Edward Arnold Publishers Ltd., London, 1958), p. 150.

assurance of the quickest possible training and development of Indian personnel to replace the foreigners. Public as well as private enterprises came into existence with foreign technical, managerial and financial collaboration. It would not be out of place to list some of them below:

<u>Name of the undertaking</u>	<u>Name of the contractor or consultants</u>
Heavy Engineering Corporation	Messrs Techno-export of Moscow.
Hindustan Machine Tools (P) Ltd.	Messrs Oerlikon Machine Tools, Buckile & Co., Zurich, Switzerland, Messrs Hermann Bolt, West Germany.
National Instruments (P) Ltd.	Clinical Thermometers in collaboration with Japan.
HINDUSTAN STEEL (P) LTD.	
Bourkela Plant	Messrs Krupp & Demag, West Germany.
Bhilai Plant	Messrs Techno-export, Moscow.
Durgapur Plant	Messrs, International Construction Company, U.K.
Mysore Iron & Steel Works	Norwegian Firm
Hindustan Shipyard (P) Ltd.	Messrs A.C.L. (French Consultants) Messrs Lubcker Flender Werke of Germany.
Hindustan Aircraft (P) Ltd.	Messrs Folland Aircraft Ltd. U.K. Messrs Bristol Aero Engineers Ltd. Machine Fabrik Augsburg Nuremberg (Hann) West Germany. ³

Through the collaboration of foreign firms with the Government and private enterprises in India to some extent the immediate problem of the scarcity of technical know-how and managerial skill has been met

3 Ratan Kumar Jain, "Management of State Enterprises In India," Manaktalas, Bombay, 1967, p.

but it has not overcome the real dearth of the personnel. It is relevant to mention here that just as the managing agency system retarded the growth of professional managers in the same way the dependence on imported technical know-how and managerial personnel is retarding the pace of development of professional managers in the country. The foreign firms, in spite of their best efforts and intentions could not provide the basic pre-requisites. Consequently much leeway is to be covered by the training institutes and Indian enterprises both private and public to overcome the scarcity of technical and managerial personnel.

The scarcity of competent and experienced executives and the absence of training facilities to develop executives for public enterprises in general and for iron and steel industry in particular is well known. In the beginning there was no alternative with the Government of India to train its executives but to avail of the opportunities provided by the iron and steel industry in the private sector. The managements of TISCO and IISCO generously helped by supplying the technical know-how and executive training facilities to the personnel of the Hindustan Steel Limited, Ranchi. Since in the initial stages this industry was manned by the loaned man power of Tata Iron and Steel industry it would be worth while to study the executive training and development programmes of this organisation.

EXECUTIVE DEVELOPMENT PROGRAMME OF TISCO

The Tata Iron and Steel Company Limited, Jamshedpur commenced the Staff Training Department towards the end of 1953. The training

department provides training facilities for supervisory personnel ranging from assistant foremen to departmental superintendents. Emphasis is given to the following subjects in the training programme.

Subjects of the Training Programme⁴

1. Company objectives, policies and practices.
2. Analytical study of company problems and the making of decisions.
3. Financial study and control.
4. Appraisal of performance.
5. General knowledge about current topics such as work study, statistical quality control, labour legislation and raw material resources.
6. Planning and directing the work of the subordinates.
7. Getting the work done and building a high morale.
8. Materials management.
9. Safety of men and materials.
10. Communication and participation.

Mostly the training programme of Tata Iron and Steel Company is meant to develop the supervisors and for developing the executives and administrators are sent to Administrative Staff College, Hyderabad. These trainees are of the rank of heads of departments and above. It is a clear indication that the Tata Iron and Steel Company, the oldest and most efficient enterprise in the country also utilises other training facilities provided in India and abroad. The training programmes and the methodology of imparting training at the Tata Iron and

4 Indian Management, May-June, 1962. "Staff Training In TISCO, G.Y. Mangrulkar, pp. 39-40.

Steel Company are designed according to the requirements of the company as such the programmes would be of little value and effectiveness for a new enterprise. In fact each enterprise has to chalk out its own training programme subject to the priorities allotted to various aspects of training requirements. A training programme provided at an institute or an industrial enterprise would be more or less of a standardised nature and the programme planned and developed according to the specific needs of an enterprise would differ considerably. The former would be akin to a customs suit, one out of thousands, ignoring the individual measurements and physical disabilities which would be carefully considered in a tailored suit. Consequently, each enterprise needs its own training arrangements.

The supervisory training imparted at TISCO uses the following methodology:

- a) Lecture method
- b) Training on the job
- c) Job rotation
- d) Company meetings
- e) Syndicate discussion
- f) Case studies

It is obvious that the training facilities provided at TISCO are according to the needs of the enterprise as well as nature, experience and requirements of the employees too. The use of case method is in its infancy both from the point of view of quality of the cases and the ways they are introduced to the trainees. It can be concluded that training imparted at TISCO is more job oriented and very

little is done to develop the knowledge and to condition the behaviour of the employees to improve their relations with fellow employees as well as with their officers. The courses and subjects of training do not give any emphasis to subjects like industrial psychology, industrial supervision, human behaviour, industrial relations, literature, music, drama, history, politics, etc., which tend to improve the social and cultural background of the employees to increase the capacity of decision-making of the employees.

The effectiveness of the training programme depends on the training methodology, physical conditions, the number and quality of trainers as well as trainees and the incentives provided during and after the training programme. A successful training programme is one which "develops the skills that make for rapid, effective work, the knowledge that makes for intelligent action, and the attitudes that bring willing cooperation with fellow employees and with management."⁵ The executive and administrative personnel ranging from the rank of heads and above are sent to Administrative Staff College, Hyderabad, for a training period of three months. They are most likely to affect the formal as well as informal training programmes of TISCO. Though their number is only three every year they are not likely to have a considerable effect on the existing training facilities of TISCO. For a fuller understanding of the problem the training facilities, contents and methodology of training of Administrative Staff College, Hyderabad, is essential. They are discussed briefly in the

⁵ Planty Earl G., "Training Employees And Managers" (The Ronald Press Company, New York), 1946, p. 3.

ten to fifteen years experience in any field of business. No specific educational qualifications are needed except the trainee must be a person of mature judgment and proved ability. During a period of 12 weeks the trainees have to do their work mostly through group discussion. Each trainee gets an opportunity to act as a chairman and a secretary, once during the session. He is expected to develop a sense of leadership and team-work. The group discussion over individual experience, specific problems and their solutions is used as a means of appraising each other and thereby improving the capacity to decision-making. The following courses make the training programme of the Administrative Staff College, Hyderabad:

Part - I Social, Economic and Political background of industry in India. Lectures and prepared papers on the following subjects are used in this respect:

- i) Constitution of India
- ii) Company Law
- iii) Labour Legislation
- iv) Income Tax
- v) Basic Economic Trends
- vi) Industrial and trade association.

Part II
& Part III Organisational Structure
Delegation
Control
Human relations
Production management
Research
Internal financial relations

Part IV Sales management
Organised Labour
Industrial finance
Supply management

- | | | |
|---|---------------------------------|--|
| & | <u>Part V</u>
<u>Part VI</u> | Administration
Application of the acquired knowledge to problems. |
|---|---------------------------------|--|

In addition to the above mentioned six parts the trainees are also required to study:

1. The biographies of selected individuals whose careers may be of special interest to the young administrator.
2. Selected industries, coal, steel, textiles and agriculture.
3. Five Year Plans in relation to location of the industry, transport, export promotion and foreign aid.

After going through the courses and their contents one can evaluate its utility and effectiveness. There is no doubt that for nature and experienced executives the programme is definitely useful but its utility and effectiveness are limited due to a very short duration of time. The heterogeneous character of the group, the diversification of the subjects of a general nature and absence of specialisation need a change in the coverage of subjects of management, thereby enriching the knowledge of the trainees concerning the basic principles of management, its various tools and a study of behavioural sciences that effect the involvement of the group, its responsibility and loyalty to the enterprise. Social, economic and political background of the industry, human relations, Five Year Plans, biographies of the selected individuals, etc. are too wide fields of knowledge to be covered in such a short period as 12 weeks.

Training Institute of Management, Ranchi:

The Hindustan Steel Limited Ranchi having realized the importance of its own training arrangements started its Training Institute of Management at Ranchi in 1962. Later on training facilities were also provided at the plant level. How far such facilities have been effective at the centre as well as in the plants at Bokaro, Durgapur and Bhilai has been studied and analysed in the following pages to draw conclusions for the soundness of this venture.

The Institute has a permanent staff of two members who deliver lectures. A permanent member from the head office, Ranchi, who is advisor and Personnel Management incharge also participates in the training programmes of the institute. The speakers are invited from the three plants of H.S. Limited, H.S.L's. sales office, Calcutta, National Coal Development Corporation, Heavy Engineering Corporation, Ranchi and other places. The Institute does not have any formal and standardised method of imparting training to its fresh trainees as well as executives. The courses of training are chosen according to the needs of the plants such as General Management and Company information, Personnel Management, Materials Management, Industrial Engineering, Training Within Industry and Job Rotation Training courses etc. etc.

Mostly the training programmes are of short duration ranging between three to four weeks and are residential in character. Besides,

training arrangements for junior executives and fresh trainees the training is also imparted for the members of the middle management cadre. This programme is a short period programme and often takes about three days. Each day four lectures of one hour and fifteen minutes' duration, are delivered. On the first day additional period of 45 minutes is allowed to introduce the courses and to explain their objectives.

PLANTWISE TRAINING PROGRAMMES AT ROURKELA, DURGAPUR & BHILAI

As previously pointed out the centralised training arrangements to impart training to fresh entrants, supervisors and executives are available at the Training Institute of Management, Ranchi, some facilities have also been provided at the three plants to train and develop the technical know-how and managerial skill. A point needs consideration here that at the centre as well as the plants the idea has been less appreciated that a well maintained and sound training programme to meet the needs of the three plants is neither available at the centre nor at various plants. Moreover, considerable weightage has been given to the personnel belonging to mechanical and engineering fields. The negligence to give due recognition to the training and development of executive and supervisory personnel would not help to increase the productivity of the enterprises. Here with the help of facilities, courses, methodology, duration of training programmes, the composition of the training group, the quality of the trainers and the incentives provided both to the trainees as well as the trainers would

explain about the worth and effectiveness of the plantwise training facilities.

The training facilities available at the plants are meant for engineers, operatives and class three employees. Employees ranging between Rs. 400 and Rs. 950 and above pay scale are known as executives and training facilities for such personnel are available at the centre. There is a recruitment section for class three employees. Such trainees comprise fresh matriculates, junior operatives, artisans, maintenance personnel, electricians and mechanics. There are also operative Training Programmes. The trainees are diploma holders in Engineering or Science Graduates. The duration of training for the technical personnel ranges between $1\frac{1}{2}$ to 2 years in the training institute and another 6 to 9 months in the plant.

Employees' training scheme has been put in force with effect from 1963 and syllabi are drawn up by shop personnel. For selected employees with a potential to become good supervisors developing courses are also arranged. These courses include the Asstt. Foreman Development Programme, Draughtsman and Design Assistants Development Programme, Job Orientation Courses, and on-the-job-training of the workers. The trainees are recruited for the following categories:

- i) Graduate Engineers/Jr. Officer Trainees.
- ii) Senior Operative Trainees.
- iii) Junior Operative Trainees.

These trainees are given theoretical as well as practical training for 18 months on the basis of well-designed syllabi. For the last six months of their training in the case of Graduate Engineers/Junior Officer Trainees and for a major portion in the case of Senior and Junior Operative Trainees they are put on the job in their respective departments or shops.

In Bhilai Steel Plant training of workers in charge of "critical equipment" is arranged for periods ranging from 3 to 6 months. The workers are put to work under "Master Workers" for their training. After its successful implementation in Bhilai the scheme will be tried in other plants under the head "Master Workers."

"A comprehensive pre-selection training programme for both industrial and non-industrial employees is also conducted so that they can be made fit for promotions from non-executive to executive posts."⁷ The training programmes and the methodology are constantly reviewed by the Superintendents of Training and Personnel Managers subject to the training needs and changes in the technology of the steel industry.

The study of the training programmes at Kourkela, Durgapur and Bhilai steel plants concludes that mostly they are meant for technical personnel like engineers, supervisors, foremen and class three clerks.

7 Replies to "The Questionnaire" of the National Commission on Labour, Hindustan Steel Ltd., December 1967, p. 10.

The Executives & Managerial Personnel of H.S.L., Ranchi.

The poor quality of management training at the centre and at the plants to a considerable extent is influenced by the quality of executives and administrative personnel who run the public enterprises and who man the management training institutes. The executives for public enterprises mostly come from government offices of the rank of I.C.S., I.A.S., I.M.P. and Central Services on deputation. How far these personnel fulfil the qualifications of executives can be analysed through the study of their educational background and experience. Before the emergence of public sector in the country, government officials did not have any experience to run the industrial enterprises and commercial concerns. What was expected of them was to maintain law and order in the country and to collect revenues for the government. Their university education also did not furnish a satisfactory profile of management pre-requisites. During the British Regime there was a competitive examination of Civil Service and the candidates of all the disciplines were allowed to compete. They were examined in History, Politics, Literature, Law, Economics, Mathematics, Constitution and Public Administration, etc. The successful candidates had to complete their training in U.K. - Oxford and Cambridge Universities. During the period of training main emphasis was given on Law, literature, foreign languages, constitution and Indian regional languages. No where during the educational background in India and the training period in U.K. the trainees studied subjects of management and administration. These executives were trained in an atmosphere of aristocracy

or bureaucracy and therefore could not establish cordial and informal relations with their subordinates. In fact there was an air of master and slave or officer and subordinate. Industrial environments do not permit such relations between management and employees, for the denial of democratic relations and due acceptance and recognition of the employees tend to create informal organisations and unhealthy relations. The importance of cordial relations has been duly emphasised by the Indian leaders of all shades of opinion. It would not be out of place to recall some of them in the following paragraphs:

C. Rajagopalachari emphasises the importance of right type of persons to man the jobs in the following statement:

"For any administration to be good and efficient as a whole we want the right type of men. The quality of the men placed in position is more important than the laying down of rules and methods of operation ... Short-sighted favouritism and concessions to produce contentment among classes and castes will be very short-lived and deteriorate into a constant pondering to intrigues and factions if we do not look to the real efficiency of the administration."⁸

Dr. Zakir Husain expressing his views about the role of administrators as follows:

^a
"We have/confused attitude towards our administrative machinery. Before Independence, this administrative machinery was the operative agency of foreign rule. For long years it was thus in a static mass of apathetic, hopeless, visionless, inarticulate humanity, unmingled, by and large, of its obligations, ignorant of its rights and forgetful of its destiny."⁹

8 Rajagopalachari, C., First Governor General of India, extracts from an Inaugural Talk by him at Sardar Vallabhbhai Patel lectures sponsored by the All India Radio.

9 Husain, Zakir, "The Indian Journal of Public Administration, New Delhi, July-Sept., 1962, Vol. VIII. No. 3, p. 266.

Space does not permit me to detail the views of public and industrial leaders about the quality of our administrators which is adversely affecting the efficiency of our enterprises. With such remarks about the Indian administrators it becomes necessary to study the weightage given to the subjects that help to contribute to develop a sound educational background of the young executives that will enrich his knowledge and confidence in decision-making and solving various complicated and complex problems of management.

The ingredients of an efficient and seasoned executive are composed of physical, mental, moral characteristics, general education and experience. Such variables differ according to the rank of the employees. Henri Fayol has analysed the ingredients of requisite abilities of personnel in industrial concerns as shown on page 269.

The table emphasizes the importance of managerial skill as one moves upward the scalar chain while the need for technical skill is at lower level. The managerial skill for the workman is 5 per cent, it rises as one moves upward and for the General Manager it reaches the figure of 50 per cent. Its requirement is even higher in the case of the head of the state - 60 per cent. The technical skill for an individual worker is 85 per cent. It diminishes as the layer of authority moves upward and is left only 10 per cent in case of the General Manager. The basic pre-requisites of other subjects such as commercial, financial, security and accounts is also essential for the head of the department or manager of the enterprise. It also becomes

Relative Importance of Requisite Abilities of Personnel in
Industrial Concerns¹⁰

Class of Employees	Requisite Abilities						Total Evaluation
	Managerial %	Technical %	Commercial %	Financial %	Security %	Accounting %	
LARGE ESTABLISHMENTS							
Workman	5	85	-	-	5	5	100 (a)
Foreman	15	60	5	-	10	10	100 (b)
Superintendent	25	45	5	-	10	15	100 (c)
Head of Section	30	30	5	5	10	20	100 (d)
Head of Technical Dept.	35	30	10	5	10	10	100 (e)
Manager	40	15	15	10	10	10	100 (f)
SEVERAL ESTABLISHMENTS							
General Manager	50	10	10	10	10	10	100 (g)
STATE ENTERPRISE							
Minister	50	10	10	10	10	10	100 (h)
Head of State	60	5	5	5	5	5	100 (i)

¹⁰ Henri Fayol, "General and Industrial Management" (Sir Isaac Pitman & Sons Ltd., London, 1959), p. 8.

obvious that the executive needs a wider outlook while a specialist is a person of narrow outlook hence does not prove to be a good manager.

The basic pre-requisites for the educational background of an executive can be ascertained from that provided for in the United States of America, a prominent country for executive training and development.

Education For Business Leadership In Columbia University, U.S.A.

Twenty courses of full time study are needed for the education of business. About one half of this programme is devoted to acquiring a basic knowledge the Faculty of Business considers indispensable to anyone to pursue a fully successful business career. The basic studies or core courses fulfil half of the course requirements for the M.B.A. degree - field of concentration and elective subjects. Ample opportunities are provided for advanced knowledge in an area of the candidate's major interest (the field of concentration). The electives permit the student to choose materials from other fields of business. The emphasis on the whole programme is on an integrated understanding of the whole of business on its inter-relationships and its philosophies.

The Core Subjects:

The core or basic subjects for general environment and operations of business:¹¹

¹¹ Columbia University Bulletin, Graduate School of Business, 1967-68.

Three courses relate to the business environment:

Business B 6003	Conceptual foundations of business
Business B 6005	Business in a changing company
Business B 6010	Resources technology and markets: the industrial environment.

Three others relate to the organisation and administration of the firm.

Business B 6009	Business decision-making
Business B 6011	Human behaviour in organisations.
Business B 6017	Administration of the firm.

Three courses relate to the methods of quantitative analysis, including accounting, statistics, and operative analysis:

Business B 6013	Quantitative Methods, I. accounting
Business B 6014	Quantitative Methods, II. statistical analysis and inference,
Business B 6015	Quantitative Methods, III. probability, statistics, and decisions.
Business B 6001	Policy determination and operations.

Students are organised as a task force and work with a continuing series of broadly based business problems.

Concentration:

There are 8 concentrations. Each is designed to provide basic knowledge in a particular function or field of business and consists of four or five courses:

1. Accounting
2. Banking
3. Business Economics
4. Finance

5. Industrial Relations and behavioral systems
6. Marketing
7. International business
8. Production systems management.

The arrangement of the courses is made according to the area of specialization of a student. Whatever the courses selected may be the main aim of such a study is to impart a knowledge of sound theory, ability to analyse and ability to reason to sound business decisions on actual industrial problems.

HARVARD UNIVERSITY

Graduate School of Business Administration

The school has got three major objectives which are (1) to provide opportunities for the development of business administrators or prospective business administrators; (2) to provide for the development of teachers of business administration; and (3) to contribute to an increase of the knowledge and understanding of business and administration.

The School is engaged in five educational programmes each of which has its objective the development of business administrators or prospective business administrators. These programmes are:

1. M.B.A. (a two-year programme)
2. Middle Management Programme
3. Advanced Management Programme
4. Trade Union Programme
5. Harvard-Radcliffe Programme in Business Administration

"They all center on the development of basic skills, knowledge, and understanding in the field of business administration, rather than on narrow, functional specialities. They all emphasize through the case method of instruction, the process of learning by putting on the student the burden of determining the relevant facts and their significance, and of formulating concrete ideas for action."¹²

The first-year programme is divided into seven courses:

- i. Administrative practices
- ii. Business responsibilities in the American society
- iii. Control
- iv. Finance
- v. Marketing
- vi. Production
- vii. Written Analysis of Cases

The purpose of the course is to develop abilities in discovering, analysing and weighing the significant factors in a problem; in deciding on a practicable course of action; and in devising a suitable plan for putting the decision into effect in the organisation.

The Second Year Programme

In the second year students are normally required to take the equivalent of ten half-year courses, five in each half-year subject to the consultation and approval of the Faculty adviser. The following are the courses:

Administration and review of accounts
Advanced economic analysis I and II
Advanced production problems
Advertising I and II
Agriculture and business
The business administrator and Government policy

12 Graduate School of Business Administration, Harvard University, 1956-57, Objectives of the School, p. 29-30.

Business conditions
Business History
Business policy
Creative marketing strategy
Factory management
Financial accounting I and II
Financial management
Human relations I and II
Industrial accounting I and II
Industrial marketing and Product line problems
Industrial procurement
International economic relations I and II
Investment management
Legal aspects of Business I and II
Management of financial institutions I and II
Management of foreign operations
Management of new enterprises
Manufacturing
Personnel administration I and II
Marketing research seminar
Problems in labour relations
Retail distribution I and II
Sales organisation and distribution
Statistical control I and II
Taxation
Transportation I and II

New York University

The Graduate School of Business Administration is organised and administered (1) to provide men and women students who have had a general college training with a knowledge of economic and business principles and the relation of these to the problems of business procedure, (2) to offer advanced graduate study in the several fields of business to those qualified by the undergraduate training or postgraduate work in the fundamentals of economics and business, and (3) to make available to mature business executives an opportunity to keep abreast of changing business conditions resulting from economic influences and legislation.¹³

13 New York University Bulletin, 1960-61, Graduate School of Business Administration, New York, U.S.A., p. 19.

The candidates are required to complete fundamental courses in each of three fields of study. A fundamental course (if required) will be taken in the candidate's major field, minor field, and a third field of study. Fundamental courses may not be included in the required minimum of advanced residence study.

Fields of Study:

The fields of study are as follows:

- Accounting (including accounting and taxation),
- Banking and finance (including banking, corporation finance, credit analysis, and investments),
- Advanced economic theory (including economic theory; business forecasting; business, economic and financial history; and public finance) ,
- Management (including management, personnel administration and industrial relations),
- Marketing (including marketing, advertising and international business),
- Political economy,
- Public utilities,
- Real estate, and
- Statistics.

A written report embodying the results of an independent study of some important problems in the student's major field of interest is required of all candidates.

The study of the basic requirements of study of various prominent universities of U.S.A. which impart education and training for business careers suggest the study of basic courses which are supposed to be most important in developing skills, knowledge and attitude which help to

understand the complex problems of business and help in their solutions based on sound principles of management.

Referring to a message from the Dean, Graduate School of Business, Columbia University, New York, it can be cited that:

"Today's business leader must be creative as well as capable of decision and effective action. He must have analytical capacity, a comprehensively developed philosophy of business, and a satisfying set of ethical values."¹⁴

After going through the syllabi of prominent universities of U.S.A. in relation to the training and development of executives one reaches the conclusion that the study of the principles of management, economic theory, industrial relations, manufacturing, marketing, quantitative analysis, business forecasts and control help to develop the skill, attitude and knowledge of the business administrators or prospective administrators. The trainees are given ample opportunities to understand the basic problems of business and with the help of available statistical data are competent enough to make sound decisions and to implement such decisions at the right time as demanded by the situation.

On the contrary the training programmes of Hindustan Steel at the centre as well as at the three plants have not been arranged in a systematic and rational way demanding the study of the subjects that

14 Columbia University Bulletin, Graduate School of Business, 1960-61, p. 1.

come under the profile of basic pre-requisites of management training. Besides the training facilities provided for executives and administrators, are to a considerable extent affected by the quality of executives and administrators manning the enterprises. Consequently, the methods of recruitment and selection of the executives and administrators meant for public enterprises together with educational background and business experience would affect the soundness of managerial skill and the recognition to training needs and the restoration of healthy industrial relations in an enterprise.

The Recruitment and Selection of Public Sector Executives:

To a considerable degree the success of an enterprise depends on the quality of recruitment and selection which must be based on the principles of good conduct and good sense. The actual recruitment and selection process if not well planned, may deviate from its basic principles to overcome shortage of personnel during the periods of emergency. "There is a sharp difference here between recruitment to the government enterprises and recruitment in private industry."¹⁵

The basic principles of recruitment and selection of persons for public enterprises are the same as they are for the public Service Commission ... they are the basic principles of good conduct and good sense. Good sense connotes sound planning for staffing and recruitment. Very often the recruitment has not been planned efficiently, consequently

15 Khare, S.S., "Management and Control in Public Enterprises", (Asia Publishing House, Bombay, 1964), p. 171.

when work begins to suffer due to non-availability of persons or due to their scarcity the management is compelled to relax its minimum requirements causing a deterioration in the quality of personnel for management. For instance in the case of Hindustan Steel, the selection of candidates for the lower posts was subject to the following priorities:

1. Displaced persons working in workcharged or muster-roll establishments with one year's approved service.
2. Workcharged and muster-roll employees with one year's approved service.
3. Displaced persons of the locality.
4. Contractor's men.
5. Others.

For the higher levels of management as well as the middle management and for similar posts of technical staff the pressures and preferences for local men have been resisted and the recruitment is made through U.P.S.C. (by a committee rather than an individual).

The procedure of selection is of secondary importance. What is needed most is the quality of persons, the adherence to the sound principles of recruitment and selection without any binding or priority consideration and substantial freedom of choice to the man concerned to utilise the services of the newly selected employees. The efficiency factor should not be mixed with or subdued by other priority considerations. If a person is to be given a priority on the ground that he is a displaced person or belongs to a group selected for priority then the differential gap between the efficiency levels of one selected due to priority and that

could be selected without priority would undermine the managerial efficiency and productivity to that extent.

"A managing director once remarked that if he was going to be responsible for the successful working of his enterprise then he must get the best man available and that he could not rightly be blamed down by the government's policy of giving a certain preference or weightage to members of the Scheduled Castes."¹⁶

The above analysis underlines the strict adherence of the basic principles of recruitment and selection for the continued efficiency of an organisation irrespective of its social or political character.

Industrial Management Pool:

With the beginning of industrial enterprises under the central and state governments it was suggested to set up an Economic Civil Service. The First Five Year Plan accepted the idea in a different form and suggested the possibility of constituting an industrial management cadre. In 1954 the Estimates Committee of Parliament in its ninth report also recommended the setting up of an all-India commercial and industrial service. The same idea was vehemently expressed by the Estimates Committee in its sixteenth report.

After due consideration of the recommendations the government decided in 1956 to set up industrial management service, consequently an industrial management pool came into existence.¹⁷ The selection of the

16 Khanna, S.S., "Government In Business", (Asia Publishing House, Bombay, 1963), p. 160.

17 Resolution of the Government of India dated 12 November, 1957.

candidates for the I.M.P. was through a specially constituted selection committee. The pool consisted of 200 officials of different grades drawn from army, Civil Services and from private industry. There was a basic defect in the creation of the Industrial Management Pool. It was created not subject to the specific needs of the enterprises or in relation to the job descriptions and job specifications. The result was that these persons could not visualise the genuine needs of the enterprises. In the ultimate analysis there emerged the non-cooperation between the pool and the enterprises. Again, the quality of the pool was also liable to question, as the country was lacking in management training and development facilities and the government officials, with the exception of a few were without industrial and commercial experience akin to an executive of a giant corporation in a private enterprise. The result was that in spite of the best efforts made by the I.M.P. the public enterprises could not make a sound progress. It was due to considerable imbalances between the actuals and the desirables. To over come these pit falls it is urgently needed to create a Central Industrial Service to man these enterprises according to their needs and also to make provision for proper management education both in the universities as well as institutes. The knowledge gained through training facilities would equip the managerial personnel to run the public enterprises successfully. The universities and institutes should be liberally financed to undertake these programmes. The financial aid in this direction would be a sound investment in the

economic development of the country. Let me now turn to discuss the role of industrial relations.

INDUSTRIAL RELATIONS

To a considerable extent the industrial relations are of paramount importance in establishing labour and management relations and thereby creating and establishing the labour and management practices, their belief system and prerogatives which may be both fair and unfair. The effectiveness of any programme of executive training and development would be influenced greatly by such relations existing between the labour and management. As such it is a matter of great concern to study the industrial relations in Hindustan Steel Limited and to suggest ways and means to improve them, thereby ensuring a high standard of productivity of the concern.

"Broadly, industrial relations includes, securing effective and willing cooperation from employees and reducing conflict between employees and workers and their representatives, the trade unions."¹⁸

In the light of the above statement the cordial relations between the workers and the employers are influenced by the following ingredients of industrial relations:

1. Inter-union rivalry.
2. Labour participation in management.
3. Code of discipline.
4. Working conditions.
5. Incentives and fringe benefits.
6. Organisation structure.
7. Wage and salary administration.

¹⁸ Personnel Management in India. Compiled by Indian Institute of Personnel Management, (Asia Publishing House, London, 1961), p.38.

INTER-UNION RIVALRY

There is too much inter-union rivalry on the Indian labour scene in general and is prominent in the three plants of Hindustan Steel Limited, Ranchi. It is due to the fact that the union movement has not developed on sound economic grounds and is actively controlled by politicians. Most of the employees are illiterate and ill-advised and these two main features affect the inter-union relationships and the labour dealings with managements. According to Section 4 of the Trade Unions Act 1926 any seven or more members can obtain registration of a trade union. "This provision of the law has led to formation of mushroom unions in an undertaking and accentuation of inter-union rivalry within undertakings."¹⁹ Since the beginning of the H.S.L. all the Central Labour Organisations and others were busy in establishing their unions in each of the three plants at Rourkela, Durgapur and Bhilai. Every labour organisation attempted to surpass other organisations in making claims and demands for the labour. It led to repeated demands and the launching of agitations, often based on frivolous grounds in the belief that militancy would help them win recognition from management.

However, since criteria for recognition of unions had already been laid down under the Code of Discipline, 1958, the State Labour Department advised the management to recognise only one union. Consequently the management has to face a large number of unions and the

19 Replies to the Questionnaire of the National Commission on Labour Hindustan Steel Ltd., December 1967, Question No. 27.

situation arising due to inter-union rivalry.

The inter-union rivalry affects the union and management relations and checks the peaceful settlement of disputes. In Bhilai Steel Plant where according to the statutory provisions under the M.P.I.R. Act (Madhya Pradesh Industrial Relations Act) only the recognised representative union can represent the workers in industrial disputes. The recognised union of Bhilai Steel Plant is less militant, more cooperative with management in reaching bilateral settlements through negotiations and there have been very few instances of industrial disputes going before conciliation/adjudication. Unions having the support of the political parties have become more active. In states where United Front Governments have been established after the last General Election, the trade unions with their party representation in the Government have increased their activities considerably, often to deteriorate union and management relations. For example with the assumption of power, by the United Left Front parties in West Bengal the union enjoying the support of AITUC, although not formally affiliated to it, became very militant and its supporters indulged in gherrcos, unruly demonstrations, intimidation, illegal stoppage of work etc.

In Rourkela Steel Plant the supporters of Rourkela Mazdoor Sabha intensified their agitations after installation of the new Government in Orissa and the union affiliated to INTUC which is the recognised union and which enjoyed the support of the previous Government also started agitations.

The multiplicity of unions and political influence over the unions need careful study so that both the factors may be checked and eliminated. In Bhilai Steel Plant, there are over 50,000 employees, theoretically, subject to Section 4 (1) of the Indian Trade Unions Act 1926 any seven or more persons may form a trade union, thousands of trade unions can be established in this plant alone. The Industrial Disputes Act also permits every union to raise an industrial dispute. Both the factors encourage the multiplicity of trade unions.

The management of Hindustan Steel Ltd., Ranchi, while replying to the Questionnaire of the National Commission On Labour regarding the multiplicity of labour unions made certain recommendations which can be discussed and analysed as a measure to overcome the problem. The management suggested that the Trade Unions Act be amended to provide that no trade union can be registered in any establishment unless 10 per cent of the workmen employed in the establishment are members of the union. The Industrial Disputes Act may also be amended to lay down that a representative union recognised in the establishment only will be the sole bargaining agent competent to raise an industrial dispute of a general or collective nature and that a bipartite settlement arrived at between such a union and management will bind all the workmen of the establishment affected by such agreement. Merely reducing the number of unions or making changes in the Industrial Disputes Act will not solve the problem of inter-union rivalry or mushroom growth of unions in the country. The solution lies in the

fact that a change be brought to management outlook to deal with unions in a cordial way to understand their main problems and to solve them to their best possible satisfaction. The solution lies in a well-conceived long term solution where both labour unions and managements would agree to cooperate and contribute to the higher productivity of the enterprise.

The inter-union rivalry and the union-management conflict arises due to the differential outlook between the parties concerned. There has been continuous labour unrest in the country, including the public enterprises and in iron and steel industry in the public sector. There have been reasons to labour unrest which the management of Hindustan Steel Ltd. explains as follows:

1. Rise in the cost of living.
2. Inter-union rivalry.
3. Exploitation of workers by outsiders in trade unions.
4. Political influences on trade union activities.
5. Lack of proper understanding between the Central Government and State Governments.
6. Inexperience of the managerial personnel and their lapses.

Most of the labour unrest arises due to defective labour leadership from outside. The absence of labour leadership is due to the illiteracy of the workers. If proper education facilities are provided for the working class then in the immediate future the political leadership from outside will be replaced from amongst the working classes.

LABOUR PARTICIPATION IN MANAGEMENT

At various stages collective bargaining has been introduced at the Hindustan Steel Limited, Ranchi, but due to inherent weaknesses of the labour movement in India the scheme has not succeeded considerably. Agreements in issues like wage structure of employees, production bonus scheme and gratuity scheme etc. have been made. The Bhilai steel plant has a better record of entering into collective agreements than Durgapur or Rourkela Steel Plants as according to the M.P. Industrial Relations Act only one union has been recognised and all disputes are discussed with it. Though the management attempts to enter into agreements with the recognised union the inter-union rivalry reduces the effectiveness of such agreements by non-acceptance of the agreement.

As regards the unit level bipartite consultations or collective agreements, the existence of a strong, stable recognised union is necessary.

"Existence of multiplicity of unions and inter-union rivalry hampers the development of effective bipartite consultations at the plant level. The present provision under the I.D. Act which enables all registered unions to raise industrial disputes notice of which can be taken by the conciliation machinery also does not help bipartite consultation."²⁰

Though under the Code of Discipline the registered union has the privilege of negotiating with management on collective matters, but this provision is not working satisfactorily as any registered union under the

20 Replies to the Questionnaire of the National Commission On Labour, Hindustan Steel Ltd., December 1967, p. 31.

provisions of the Industrial Disputes Act can raise a dispute by challenging the agreement of the recognised union. It reduces the effectiveness of the agreements made by the recognised union and the management. Similar is the fate of the Works Committees.

CODE OF DISCIPLINE

So far as the following of the Code of Discipline is concerned the record of the unions at Rourkela, Durgapur and Bhilai does not give a satisfactory account. In Durgapur and Rourkela Steel Plants there have been several breaches of the Code of Discipline. In Durgapur Steel Plant there have been 95 cases of gheraos in the period from March to September, 1967. During a period of five months beginning from March till July 1967 Durgapur suffered a loss of Rs. 12.70 crores due to labour trouble. The Code of Discipline could not succeed in removing strikes, lockout, agitations, indiscipline etc. as the rising prices could not satisfy the wage earners who were often misdirected by the multiplicity of unions and inter-union rivalry.

The Inter-Union Code of Conduct accepted by the four central labour organisations has not been effective and has failed to prevent inter-union rivalry. The unions have been violating the Code of Conduct repeatedly. Few instances of violations may be cited:

1. Clause(2) lays down that there shall be no dual membership of unions. But it has been noticed that the rival unions have been encouraging dual membership.

2. "Clause (5) Our experience has been that the trade unions do in fact exploit the ignorance of the workers and also they persistently and repeatedly make excessive and extravagant demands which are often fantastic and cannot be accepted."²¹

3. Clause (7) lays down that there shall be no violence, coercion, intimidation or personal vilification in inter-union dealings, but violation of clauses and inter-union vilification have been common.

Though the Works Committees have been established, yet their working is not quite satisfactory. Members are elected from amongst the total labour force and not out of the members of the recognised union. Overlapping of jurisdiction between the Works Committee and other Joint bodies like Safety Committee, Grievance Committee etc. undermine the working of the Works Committee. The Works Committees in Bokaro and Durgapur and the Joint Committee in the case of Bhilai Steel Plant all are handicapped in their working on account of the inherent weaknesses of the labour unions, i.e., illiteracy of the workers, poor finances of the unions, external labour leadership and the absence of trust between management and the workers. To overcome all such defects long term measures such as providing better education facilities for the workers are needed so that they may have their own leaders, improving their earning capacity and to deal with labour unions

21 National Commission On Labour, op.cit., p. 36.

in an earnest way. It would promote better relations and the very purpose of establishing the Works Committees would be achieved.

WORKING CONDITIONS

Working conditions in an enterprise are more important than the wages and salaries. The poor working conditions would not attract an employee to seek job or would fail to keep one for a longer period. Poor working conditions would result in increasing labour turnover. Consequently the enterprise would suffer due to loss of efficient and experienced employees, a high turnover of employees both trained and untrained causing a loss on recruitment and selection and a wastage of expenditure on induction and training programmes. It would also affect the labour and management relations and thereby the total productivity would fall. Though the working conditions in public enterprises are supposed to be better than that in private enterprises as Government is regarded to be the "Model Employer" yet the fact is that public enterprises inclusive of Hindustan Steel Limited cannot be compared favourably with private enterprises. Working conditions as a whole consist of various facilities provided to the workers regarding the behaviour of management service facilities, labour policy, rules of promotion, incentives and fringe benefits, physical conditions, social security, safety against accident, labour participation in management, labour legislation, the machinery to settle labour disputes, medical, transport, housing, communication, drinking water facilities, etc.

The working conditions at H.S.L. in no way are better than that provided at TISCO, Jamshedpur. As a general rule the conditions of work in factories, mines and plantations, etc. are regulated by the Factories Act, 1948, the Plantations Labour Act, 1951 and the Mines Act 1952 etc. The main provisions of such acts relate to (i) Safety and welfare (ii) Hours of work, rest interval, weekly off, etc. (iii) Employment of young persons and women (iv) Annual leave with wages (v) Occupational diseases and (vi) Overtime payment. As regards the Factories Act 1948 and the Mines Act 1952 Hindustan Steel Limited has been experiencing some difficulties. If some amendments are made in the statutes, it would help managements. Section 66 of the Factories Act and Section 46 of the Mines Act forbid the employment of women after 7.00 P.M. In the State of Orissa it is customary to employ women for carrying loads as male workers do not offer themselves for such work. Hence employment of women even after dusk becomes necessary to complete certain types of construction of a blast furnace. As such suitable amendments are needed in the Acts or the Rules framed for employment of women.²² Such changes would help to increase production and productivity.

The working conditions in no case, are better than the minimum standards set by legislation, and as legislation is not a barrier in the

22 Replies To the Questionnaire of the National Commission On Labour, Hindustan Steel Ltd., December 1967, p. 14.

Being an eye witness at Bauxite Steel Plant while visiting the blast furnace I noticed that the visitors were disturbing the working.

way of providing the workers with better than the minimum desirable. Owing to poor working results better working conditions would mean additional financial burden on the H.S.L. It is only possible when the H.S.L. begins to make substantial profits then only a part of that would go to the employees in improving the working conditions and other facilities. As a passing reference the report drafted by the U.S. Steel Corporation regarding the Bokaro Steel Plant can be cited as follows:

"It was rural, remote and poorly served by transport facilities. It was unattractive to the great majority of potential Indian employees and even more so to the Americans."²³

INCENTIVES & FRINGE BENEFITS

Regarding the incentives and fringe benefits to executives and other members of the administrative side there is ample need for such benefits. Indian industries in private and public sectors incentives are not usual. The problem is more serious in public enterprises and it is being felt that the iron and steel industry in the public sector is in great need of financial and non-financial incentives to overcome the problem of inefficient functioning of steel plants. Besides the executives, the directors of H.S.L. are also in need of incentives. The Articles of Association of Hindustan Steel Limited provides for holding at least four meetings in a year. On an average during 1954-64 eight meetings

23 Asian Recorder, New Delhi, p. 5268, "U.S. Participation in Bokaro Steel Plant", June 25-July 1, 1963.

per year were held and the attendance of the directors was not satisfactory. Most of the directors did not attend even fifty per cent of the board meetings. It gives an idea for the need and urgency of adequate motivation to the directors. The directors who are not government officials get Rs. 100 per meeting as sitting fees and in addition Rs. 100 as incidentals plus transport charges. The officials get even less than their counterparts in the private sector.

So far as the executives are concerned they do not get any financial incentives, as such there is no way out to motivate the executives to improve their willingness to work. In December 1967 Chenna Reddy in Ministers' Conference with heads of plants at Delhi approved incentives to all the executives. But it would take a long time before it materialises. Leaving aside the case of executives and administrators the employees of Hindustan Steel Limited do not enjoy a sound system of incentives.

INCENTIVES TO EMPLOYEES

As stated previously incentives and fringe benefits cannot work as substitutes to poor wage and salary structure and its mal-administration. No incentive plan would ever succeed if its basic pre-requisites have not been provided. The main inherent problem in the case of iron and steel industry in the public sector is the weakness of wage and salary administration with the result that the employees often get low and unfair wages, not based on the going wages or at least the wages

adjusted according to the variations in the living index numbers. The result is that there are considerable variations in the wages and salaries of the employees in the iron and steel plants in the private and public sectors and it is not a matter of surprise that the wages given to the employees of the Hindustan Steel Limited in the three plants also differ with one another. The report of the Central Wage Board for Iron and Steel Industry, 1965 also laid great emphasis on adjusting wage differentials. It expressed the need to provide incentives to workers for advancing their skill. But the problem of wage differentials was severe and demanded first priority to be solved:

"From April 1962 onwards the Board started receiving representations from various trade unions of employees of Iron and Steel Industry demanding interim relief on account of disparity between the existing wage level and the soaring prices of essential commodities."²⁴

The minimum wage given to the employees of the steel plants was even less than the wages paid in textile industry, ship-building and repairing industry, electricity, gas and steam industry and petroleum and coal industry, though the work involved in the iron and steel industry is comparatively more hazardous and more strenuous. As such the steel workers deserve higher wages. It seems that the wage determination has been done without reference to job analysis and job evaluation and naturally it gives birth to labour unrest and inter-union rivalry. As

24 Report of the Central Wage Board for Iron and Steel Industry, Delhi, 1965, p. 23.

(The Government of India by the Resolution No. WB-11(1) 61 dated the 5th January, 1962 constituted a Central Wage Board for the Iron and Steel Industry.

far as Indian iron and steel industry is concerned the wage scale was revised in 1949. In 1958 only the dearness allowance was revised. From the locational point of view the Tata Iron and Steel Co. Ltd., the Indian Iron and Steel Company Ltd., and the Hindustan Steel Limited are situated in the same region, but the wages which are given to the employees of these plants have great disparity. For example the minimum basic wage and dearness allowances of the lowest paid un-skilled employees (Raza, female sweeper and office boy) amount to Rs. 94.86 per month which is the highest amount paid to such a worker in the iron and steel industry. The Fact Finding Committee after careful thought to the contentions of all the parties concluded that as a first step the disparity in the lowest wages existing in the Tata Iron and Steel Company Ltd., the Indian Iron and Steel Co. Ltd., and the Hindustan Steel Ltd should be removed. The following table shows the total amounts of wages paid to employees doing the same job in the plants located in the same region:

WAGE DISPARITY IN TISCO & HSL²⁵

P L A N T	Basic Wage	Dearness Allowance	Coke Subsidy	House Rent	Total	Percentage
<u>TISCO</u>						
Production	49.40	45.00	2.80	-	97.20	
Maintenance	47.58	45.00	2.80	-	95.38	
Service	47.06	45.00	2.80	-	94.86	
<u>H.L.S.</u>						
Bhilai	70.00	15.00	-	-	85.00	87.5
Rourkela	70.00	15.00	1.29	-	86.29	88.6
Durgapur	70.00	15.00	-	-	85.00	87.5

25 Report of the Central Wage Board for Iron and Steel Industry, Delhi, 1965, p. 25 (Government of India constituted the Board).

The table shows that the Tata Iron and Steel Company Limited was paying the highest wages of Rs. 97.00 to production workers and least of Rs. 95.00 to service employees while the wages paid to Hindustan Steel Limited employees were about Rs. 86.00 per month. Before introducing any incentive plan it is most important that first of all the wages should be brought up to the going wage level.

Though the disparities in wages of employees of HSL and other steel plants in the private sector existed in India yet attempts were made to introduce the incentive plan to iron and steel industry in the public sector. It was of a very limited nature. Historically the scheme was introduced on the 1st of December 1961 and was entitled as a bonus scheme. It applied to employees in four groups - production, management, services and general. The employees were entitled to share 100 per cent, 90 per cent, 90 per cent and 50 per cent respectively of incentive premiums. The scheme excluded the non-technical staff, apprentices and trainees of un-commissioned plants and casual employees. The scheme applied to persons below the level of the general foreman. The incentive earnings were expressed as a percentage of the basic pay:

"The incentive rate is 10 per cent for 80 per cent achievement of the rated capacity in the coke oven (75 per cent in blast furnace and 60 per cent in S.M.S. and rolling mills) and the rate is 50 per cent for 100 per cent achievement and 70 per cent for 120 per cent achievement."²⁶

Tripathi, N.M.

26 Institute of Public Enterprise, Hyderabad - 7, "Incentives in Public Enterprises." Paper, pp. 10-11.

The scheme was revised in February 1968 and re-named as production incentive scheme. The incentive plan in the H.S.L. is defective and incomplete as it ignores employees other than the production workers and the employees above the rank of the general foreman. In order to motivate all the employees it is essential that the incentives be provided to all the employees without any distinction of production, management, services and general.

NON-FINANCIAL INCENTIVES

Non-financial incentives like appreciation, reprimand and fear are not applicable to the public enterprises in India. The executives and other administrative personnel are mostly the I.C.S., I.A.S., I.W.P., and I.H.S.E. and work under the Rules of Service. Their transfers, promotions and even punishments are subject to the Administrative Service Rules, hence the element of fear is not existent. The delegation of authority and decentralisation are mostly in infancy.

FRINGE BENEFITS

The question of fringe benefits, though an important one in its place, deserves third priority in order of importance. The two other important points to be considered are (i) wage and salary structure (ii) financial and non-financial incentives. When the two problems have been solved satisfactorily and the management in relation to the income earning capacity of the undertaking feels it obligatory to distribute a part of the surplus profits to its employees in the form of additional

items known as fringe benefits. The Hindustan Steel Limited defines the fringe benefits as follows:

"Any benefit whether in the form of a facility, amenity or cash other than basic wages and dearness allowances which reduces directly the expenditure of a worker or increases his pay packet may be considered to be a fringe benefit."²⁷

The benefits which are being given to the employees of the Hindustan Steel Limited are:

- i) Subsidised canteens
- ii) Subsidised housing
- iii) Subsidised transport
- iv) Subsidised medical and public health facilities
- v) Subsidised educational facilities
- vi) Gratuity
- vii) Allowances like House Rent Allowances, city compensatory allowances and leave travel concession etc.

Fringe benefits in Hindustan Steel amount to about 20 per cent of the wages and therefore raise the production cost by about 2 to 3 per cent as disclosed by the management authorities. The management failed to disclose the increase in production due to payment of incentive wages. Though the fringe benefits have been provided to H.S.L. employees yet they are of a limited nature and cover few bare necessities like transport, medical care and housing etc. It is desirable that the coverage of fringe benefits should be a broader one and more benefits of a general and recreational nature should be included.

27 Replies to the Questionnaire of the National Commission On Labour, Hindustan Steel Ltd., December 1967, p. 87.

ORGANISATION STRUCTURE

Besides the form of organisation structure, the stability of the organisation from the locational point of view and the stability of the tenure of service of the executives and administrative personnel proves to be a great incentive and its absence affects the productivity of the enterprise considerably. The Hindustan Steel Limited in relation to its location and the tenure of service of its executives and top management personnel, does not have a satisfactory record. In the early years after its formation the Hindustan Steel Limited experienced changes in the location of its Head Office, members of the Board, chairman, secretary, and general managers of the three plants, causing great inconvenience to the executive personnel who had to change their places and a great loss to the efficient functioning of the three plants too. The idea of change of location of the Head Office and the non-continuity in the posts of the General Managers was referred to the Government by the Estimates Committee:

"The Committee do not appreciate the location of the Head Office of H.S.(P.) Ltd. at Delhi. They feel that its location near about the area of operations would enable the Hindustan Steel (P) Ltd. to function independently on business lines instead of looking to Government for advice and guidance in all matters. The Committee would also suggest that there should be continuity in posts of General Managers."²⁸

Though the Head office has been shifted to Ranchi yet still there exists non-continuity in the posts of General Managers, Chief Executives and members of the Board of Directors. Since inception in 1954 till 1965

28 Estimates Committee 1962-63, Third Lok Sabha, Ministry of Steel and Heavy Industries, New Delhi, 1962, E.C. No. 298.

more than 100 persons have come and gone as members of the Board and the company engaged six chairmen, seven secretaries and twelve general members of the three plants. The Head Office had to change its venue five times. Such changes are undesirable and lead to inefficiency and low productivity.

CHAIRMEN OF HINDUSTAN STEEL LIMITED²⁹

S.No.	Name	Date of Assumption	Date of Relinquish	Remarks
1.	Asok Kumar Chanda	4.3.54	22.9.54	Relinquished charge on appointment as Comptroller & Auditor General of India.
2.	S.S. Khare	22.9.54	10.8.55	Ceased to be Secretary in charge (Secy. of Ministry was Chairman)
3.	S.Boothalingam	10.8.55	14.4.58	Relinquished charge as Chairman on Government decision that Secretary to a Department should not lead an undertaking under its control.
4.	G. Pande	14.4.58	15.10.60	Retired from HSL and joined as Vice-Chancellor, Roorkee University.
5.	J.M.Shrinagesh	15.10.60	15.1.63	Term expired
6.	H.S. Rao	15.1.63		

From 4th March 1954 to 15th January, 1963 six Chairmen served the Hindustan Steel Limited. Since December 1967 the post of the Chairman of Hindustan Steel Limited is lying vacant and no suitable man is

²⁹ Dr. P. Prasad, "Public Sector Steel Industry", Hindustan Steel Limited, Ranchi, 1965, Appendix 1.

available to man the post.

HINDUSTAN STEEL LIMITED³⁰

General Managers

(Period of Service)

Name of Persons	Period of Service		No. of Months	Service of which belonged/belongs
	From	To		
<u>BOURKELA STEEL PLANT</u>				
1. Mr. S.N. Mazumdar	4.3.1954	12.9.1956	30	ICS
2. Mr. P.G. Bhagat	13.9.1956	26.7.1958	23	ICS
3. Mr. N. Ganapati	1.6.1958	13.11.1960	29	IRSE
4. Mr. Sambasivan	15.10.1960	17.8.1961	10	IRSE
5. Mr. K.N. Subbaraman	18.8.1961	3.1.1962	6	IRSE
6. Mr. S.T. Raja	3.1.1962	17.1.1964 (A.N.)	24	IMP
7. Mr. A.N. Banerji	17.1.1964	to-date		IAS
<u>DURGAPUR STEEL PLANT</u>				
1. Mr. K.N. Sen	1.8.1957	7.11.1960	40	ICS
2. Mr. P.C. Neogi	8.11.1960	1.9.1963	35	IRSE
3. Mr. D.I. Bell	2.9.1963	31.3.1965 (A.N.)	20	IRSE
4. Mr. H.K. Chatterjee	31.3.1965 (A.N.)	to-date		IRSE
<u>BHILAI STEEL PLANT</u>				
1. Mr. S.N. Mehta	17.5.1955	31.5.1957	25	ICS
2. Mr. N.C. Srivastava	12.8.1957	9.4.1961	45	ICS
3. Mr. Suku Sen	10.4.1961	10.4.1963	25	-
4. Mr. Indarjit Singh	31.3.1965 (A.N.)	to-date		IA & AS

³⁰ Number of months calculated from the information supplied by P. Prasad, "Public Sector Steel Industry" (Hindustan Steel Limited, Ranchi, 1965), Appendix IV.

Finally the recruitment and selection procedures at H.S.L. are primitive. The application blank for the post of executives does not expose leadership qualities at school, college or university levels, as no information has been asked for. It is not possible to know anything about emotional stability. Information required under the heads of religion, scheduled caste, state is imbalanced and would not help to promote a healthy organisation. The recruitment and selection at H.S.L. is of a very elementary nature and the use of scientific methods to detect the managerial talents has not been properly used so far. It will fail to select proper type of personnel for various jobs. The Training Institute of Management, Ranchi, was started in 1962 and the plantwise training facilities were also provided later on. Prior to these facilities the H.S.L. employees were imparted training at the Tata Iron and Steel Company Limited, Jamshedpur, and the Administrative Staff College, Hyderabad. The facilities provided even at these places were inadequate. TISCO's Staff Training Department provided training facilities for supervisory personnel ranging from assistant foremen to departmental superintendents. For higher levels the TISCO sends its employees to Administrative Staff College, Hyderabad, and to foreign countries. It shows that even TISCO is not self-sufficient in training facilities.

Regarding the training facilities at the Administrative Staff College, Hyderabad, the composition of the training group of the executives is a heterogeneous one as executives of different ages and experiences on "All India Basis" come to the college to get training.

No specific educational qualifications are needed except the trainee must be a person of mature judgement and proved ability. The period of training is only 12 weeks. The heterogeneous character of the group, the diversification of the subjects and absence of specialisation need a change in the coverage of subjects of management, thereby enriching the knowledge of the trainees concerning the basic principles of management its various tools and a study of behavioural sciences that affect the involvement of the group, its responsibility and loyalty to the enterprise.

The Training Institute of Management, Ranchi, was started in 1962 and training facilities were also provided on plant level at Rourkela, Durgapur and Bhilai also. The Institute does not have any formal and standardised programme for imparting training to its fresh trainees as well as executives. Mostly the training programmes are of a short duration ranging three to four weeks. The programme for middle management personnel is of a short period and often takes about three days. The arrangement needs enhancement of period and improvement in the quality of training facilities. The training facilities are also provided at the three plants to train and develop the technical know-how and managerial skill. These facilities are meant for engineers, operators and class three employees. Nothing constructive is being done towards the training of supervisors and executives. The training courses include the Assistant Development Programme, Draughtsmen and Design Assistant Development Programme, Job Orientation Courses and on the Job-Training of workers.

The poor quality of management training at the centre and at the plants to a considerable extent is influenced by the quality of executives and administrative personnel who run the public enterprises and those who man the management training institute. These executives do not have a considerable business or industrial experience or even their educational background is such that nothing has been done to enrich their knowledge and confidence in decision-making.

For the higher levels of management as well as the middle management and for similar posts of technical staff the pressures and preferences for local men have been resisted and the recruitment is made through U.P.S.C. What is needed most is the quality of persons, the adherence to the sound principles of recruitment and selection without any binding or priority consideration and substantial freedom of choice to the men concerned to utilise the services of the newly selected employees.

There was a basic defect in the creation of the Industrial Management Pool. It was created not subject to the specific needs of the enterprises or in relation to the job descriptions and job specifications. The result was that these men were mis-fit to the genuine needs of the enterprises. It led to the non-cooperation between the pool and the enterprises. What is most urgently needed to man the public enterprises is the creation of a Central Industrial Service and the provision for proper management education in Indian universities and institutes.

INDUSTRIAL RELATIONS

There is too much inter-union rivalry on the Indian labour scene in general and in the three steel plants of Hindustan Steel Limited, Ranchi. The multiplicity of unions and political influences over the unions need careful study so that both the factors may be checked and eliminated. The management of H.S.L. suggested that the Trade Unions Act and the Industrial Disputes Act may be amended regarding the registration of the unions and to recognise the unions as the representative union. The solution lies in the fact that a change be brought to management outlook to deal with unions in a cordial way to understand their main problems to solve them to their best possible satisfaction.

As regards the unit level bipartite consultations or collective agreements, the existence of a strong, stable recognised union is necessary. So far as the following of the Code of Discipline is concerned the record of the unions at Rourkela, Durgapur and Bhilai does not give a satisfactory account. In Durgapur and Rourkela Steel Plants there have been several branches of the Code of Discipline. The Inter-Union Code of Conduct accepted by the four central labour organisations has not been effective and has failed to prevent inter-union rivalry. The unions have been violating the Code of Conduct repeatedly. The working of the Works Committees has not been satisfactory. To overcome all such defects long term measures such as providing better education facilities for the workers are needed.

Though the working conditions in public enterprises are supposed to be better than that in private enterprises as Government is regarded as 'Model Employer' yet the fact is that the public enterprises inclusive of the Hindustan Steel Limited cannot be compared favourably with private enterprises.

Regarding the incentives and fringe benefits to executives and other members of the administrative side there is ample need for such benefits. Even the directors of H.S.L. need ample motivation. The employees of H.S.L. as a whole need both financial and non-financial incentives. Before introducing any scheme of financial and non-financial incentives it is essential to provide the basic pre-requisites. There is disparity in wage and salary of TISCO and HSL and it gives rise to labour turnover.

Finally the stability of the organisation from the locational point of view and the stability of the tenure of service of the executives and administrative personnel proves to be a great incentive and its absence affects the productivity of the enterprise considerably. There exists non-continuity in the posts of the General Managers, Chief Executives and members of the Board of Directors. Since inception in 1954 till 1965 more than 100 persons have come and gone as members of the Board and the company engaged six chairmen, seven secretaries and 12 general managers of the three plants. The Head Office had to change its venue five times. Such changes are undesirable and lead to in-efficiency and low productivity.

The above analysis is high revealing. It demands careful and immediate consideration of all the factors, detailed above, effecting executive development and industrial relations in H.S.L., Ranchi. The inexperience of the managerial personnel and their lapses accompanied with breaches in the observance of the code of discipline by the workers are sadly jeopardising the efficiency. The performance of the iron and steel industry in the public sector is presenting a contrast in many respects as compared with its counterpart in the private sector. The author is of the firm view that the corrective measures as suggested above would not only revitalise the industry but would also materially add to the economic growth of the country. It is no hasty conclusion to say that if the iron and steel industry in the public sector would fail there would fail the best hope of Modern India.

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Business Management	Madras
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The Business Quarterly	University of Western Ontario, Canada
Business Topics	Michigan State University, Michigan
Commerce	Bombay
Company News and Notes	New Delhi
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Indian Journal of Public Administration	New Delhi
International Labour Review	Geneva
Industrial Research News	United Nations, New York
Journal of Applied Psychology	Lancaster Pa.
Journal of the National Academy of Administration	Mussoorie
Lokudyog	Govt. of India, New Delhi
Major Industries of India	Bombay
Manager	New York
Management Bulletin	Delhi University, Delhi
The Manager	C.C.N.Y., New York
Management Review	AMA, New York

New Administrator	Madras
Personnel	ASA, New York
Productivity	New Delhi
Records & Statistics	New Delhi
Reserve Bank of India Bulletin	Bombay

HINDUSTAN STEEL LIMITED

1. Post for which you are a candidate.

3. Address*
(in capital letters)

4. Date of birth _____ Where were you born? _____

*If dead, state last address and occupation before death.

<p>6. Indicate the citizenship of yours and your father's as asked for in this column. If your father is dead indicate his citizenship before death as asked for</p>	<p>Details about you</p>	<p>a) a citizen of India by birth &/or by domicile.</p> <p>b) a person having migrated from Pakistan with the intention of permanently settling in India.</p> <p>c) a subject of Nepal or Sikkim.</p> <p>d) a subject of former Portugese or French Possessions in India (leave out the columns which do not apply)</p>	<p>Details about your father</p>
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7. If not domiciled in the Indian Union (including States which have acceded to Union) have you taken steps to obtain a declaration of eligibility from the Government of India?

- 8. Name of the State to which you belong.**

Any change of address given in column 3 above should at once be communicated to the Chief (Recruitment Division), Hindustan Steel Ltd., Ranchi. The Company makes every effort to take account of change in candidate's address but cannot accept any responsibility in this matter. The candidate must arrange for the redirection of communication to his new address, if necessary.

If you are a candidate for more than one post, you should write a separate letter in connection with each application. In all communications the name of the post should be clearly stated, otherwise they will not be attended to.

9. a) What is your religion?
b) Are you a member of Scheduled Caste or Tribe?
(Answer 'Yes' or 'No'. If the answer is 'Yes' give particulars and attach a certificate from the District Magistrate in support of your claim.)

10. a) Are you married or single?
b) If married state the number of children you got and their ages.

11. Give the particulars of High/Secondary Schools and Colleges/Institutes in which you have studied.

School/College	Name of University	Date of entry	Date of leaving

12. Give particulars of all examinations passed and degrees (including post-graduate degrees) and technical and special qualifications obtained at the university or other places of higher or technical education or institution (commencing with the Matriculation or equivalent examination)*

Examination/ Degree/Dip	Date of passing	Class or Division with percentages of marks	Subjects taken

13. Give your proficiency in language(s) (including Indian languages) as asked for below:

	1	2	3	4	5
Read only					
Speak only					
Read & Speak					
Examination(s) if passed.					

- 12* Copies of Certificate/Diplomas, duly attested by a Gazetted Officer should be enclosed with the application.

14. If you had been outside India give the following particulars:

Country visited	Date of visit	Duration of visit	Purpose of visit

15. Have you done any post-graduate work or published any papers? If so, give particulars and if possible send copies of papers. If the space in this column is inadequate for this purpose, please give full particulars on a sheet of paper; attach it to this application and insert here a reference to the sheet attached.

16. If you have been employed give the following particulars:

Name and address of employer	Date of joining	Date of leaving	Reason for leaving	Nature of employment designation	Salary and Grade		
					At the time of entry	At the time of leaving or at present.	Other emoluments if any

17. Are you willing to accept the minimum initial pay offered? If not, state what is the lowest initial pay/emoluments that you would accept
18. If appointed what notice would you require before joining the post
19. State briefly why you consider yourself particularly suitable for the post for which you apply in the light of the entries in column, 12, 15 and 16?
20. Have you been a candidate for any post advertised by the Union Public Service Commission or the late Ministry of Iron & Steel or the Hindustan Steel Ltd. for the steel plants and other units under H.S.L. If so, please state the name of the post, the roll number allotted to you, the date of interview (approximately if you do not recollect the exact date) and whether selected or not.

The entries in all the following columns should be in the candidate's own handwriting.

References

(These should be persons resident in India and holders of responsible position, and they should be intimately acquainted with the applicant's character and work, but must not be relations or his present employers)

Name	Occupation or Position	Address

21. Additional Remarks:

(Applicants may mention here any special qualification or experience, e.g., in organisations which have not been given under the above heads. If the space in this column is insufficient for the purpose, you may give full particulars on a sheet of paper and attach it to this application inserting here a reference to the sheet attached).

* You may bring any number of testimonials at the time of interview, if you are called for interview.

22. Detail of enclosure(s):*

Candidates are warned that if any enclosures (books, publications, manuscripts etc.) are to be sent, they should be sent with the application and not separately. Otherwise they are not likely to be connected to the candidate's application and are also liable to be lost. If, however, they are sent subsequent to the submission of the application the candidate must enclose a forwarding letter giving his full name and address, the name of the post applied for and the reference quoted in the acknowledgement card sent to him. It is also desirable to attach a slip to each publications/book etc. giving the name and address of the post applied for.

I hereby declare that the entries in this form and the additional particulars (if any) furnished in reply in questions in columns 15 and 22 are true to the best of my knowledge and belief.

Date _____

Signature of the Candidate

Note - While sending this application form to the Chief (Recruitment Division) you should superscribe on the envelope the words "Application for the post of and fill in post for which you apply. Otherwise your application is liable to be delayed in perusal.